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MAPS

1. Banking Map of the Province of Bombay—facing the frontispiece.
2. Map showing division of the Province into groups for ascertaining volume of indebtedness—facing page 39.

PL
K.S.I.

BOMBAY PROVINCIAL BANKING ENQUIRY COMMITTEE

REPORT

CHAPTER I.

INTRODUCTORY.

1. In a press communiqué issued on the 12th June 1929 it was announced that the Government of India had, after consulting the Local Governments, decided to set up a Central Committee and ten Provincial Committees to investigate the existing conditions of banking in India and to consider what steps, if any, were feasible and desirable under the following main headings :—

“(a) The regulation of banking with a view to protecting the interests of the public ;

(b) The development of banking in the sense of expansion of both indigenous and joint stock banking, with special reference to the needs of agriculture, commerce and industry ;

(c) Banking education with a view to the provision of Indian personnel in adequate numbers and with the necessary qualifications to meet the increasing needs of the country for a sound and well-managed national system of banking.”

It was further announced on the 13th July 1929 that the personnel of the Bombay Provincial Banking Enquiry Committee would be as follows :—

- (1) Mr. J. A. Madan, C.I.E., I.C.S., Chairman.
- (2) Mr. V. L. Mehta, B.A., Co-operative Expert.
- (3) Prof. V. G. Kale, M.A., Indian Economist.
- (4) Mr. Jamshed N. R. Mehta of Karachi, representative of Commerce.
- (5) Mr. G. Sugdury of Messrs. Ralli Bros., representative of Commerce.
- (6) Mr. Hirachand Vanechand Desai, representative of Indigenous Bankers.
- (7) Mr. B. S. Kamat, representative of Agricultural Interests.
- (8) Mr. P. R. Chikodi, B.A., M.L.C., representative of Urban Interests.

Mr. R. P. Masani, M.A., Secretary.

Mr. G. Sugdury having, however, resigned as he intended to go out of India, Mr. L. D. L. Buckley of Messrs. E. D. Sassoon & Co. was nominated in his place.

2. With a view to defining clearly the scope and functions of the Central and Provincial Committees, it was proposed that the question of regulation of banking, banking education and development of banking on sound lines should be excluded from the purview of the Provincial Committees, the principal matters for enquiry by the latter being (1) agricultural credit (including co-operative credit and credit facilities for small industries), (2) mortgage banks, (3) financing of internal trade and (4) investment habit and attraction of capital.

In order that the enquiry of the Provincial Committees might be conducted on uniform lines the Central Committee subsequently drew up a standard questionnaire for issue by all the Provincial Committees. It was understood, however, that the Provincial Committees would be free to add to the standard questionnaire with a view to investigating any special provincial features not covered by it.

A copy of the standard questionnaire was accordingly sent to this Committee with the letter from the Government of India, Finance Department, No. F-2 (7)-F/29, with the following observations of the Central Committee :—

“The Provincial Committees should make intensive surveys of one or two selected districts in each province and a general survey of the conditions in the province as a whole, in regard to agriculture and other small industries allied or supplemental to agriculture, with special reference to the fabric of finance. The Central Committee attach the greatest importance to the collection of facts and figures as accurate as possible. In cases where precise information is not available, there is no objection to information on broad and general lines being furnished.”

“The Royal Commission on Agriculture recommended in paragraph 365 of their report that in every province an enquiry should be made into the causes of the failure of the Usurious Loans Act and that adequate steps should be taken to ensure its application in future. The Central Committee desire that in provinces where separate enquiries have not already been set on foot in pursuance of this recommendation, the Local Government should consider the question of entrusting the enquiry to the Provincial Banking Enquiry Committee.”

As no enquiry of the kind referred to in the foregoing paragraph had been instituted in this Province, that work was also entrusted to this Committee.

The subjects for enquiry thus assigned to the Committee were embodied in three main heads as under :—

1. Agricultural credit and credit facilities for small industries.
2. Indigenous banking.
3. Investment habit and attraction of capital.

The scope of the enquiry was subsequently enlarged by the issue of a supplementary questionnaire concerning the part played by the

different classes of banks and bankers and importing and exporting firms in the financing of the import and export trade during the movement of the goods within the country. A copy of the principal questionnaire together with that of the supplementary questionnaire is printed as Appendix I to this report.

3. We assembled in Bombay on the 8th August 1929. At the first meeting we drew up our questionnaire based on the standard questionnaire. The additions made by us to the questionnaire are shown in italics in Appendix I.

The questionnaire was translated into the principal vernaculars of the Province, *viz.*, Marathi, Gujarati, Kanarese, Sindhi and Hindi, and copies were sent to all persons who were likely to give evidence or useful information to the Committee. Collectors of different districts and other officers were supplied with a large number of copies for local distribution and a copy was sent to every one who asked for it. The questionnaire was also widely published in the press.

In all 4,310 copies of the questionnaire were distributed, 2,100 in English, 800 in Marathi, 540 in Gujarati, 550 in Kanarese, 200 in Sindhi and 120 in Hindi. We received 475 replies. Of those who replied to the questionnaire, 223 gave oral evidence before us. In addition to these, 42 other witnesses gave evidence before the sub-committees of the Committee. A list of witnesses examined is appended to the Report (*vide* Appendix II).

These witnesses may be classified as under :—

—				Examined by Committee	Examined by Sub- Committee	Total
Government Officials	..	..	..	37	8	45
Commercial bodies	..	..	..	20	1	21
Bankers and Money-lenders	..	..	..	33	4	37
Co-operative Organisations	..	..	..	68	6	74
Other Individuals	..	..	..	65	23	88
				223	42	265

We desire to express our thanks to those who sent written statements in reply to our questionnaire and those who gave oral evidence before us for their courtesy and the trouble taken by them to assist us in our inquiry.

As we were asked to conduct intensive surveys of one or two selected districts in the Province, we arranged to have an intensive survey of the economic conditions carried out in (1) Broach and (2) Dharwar through two investigators appointed for the purpose. In connection with the inquiries in Broach, a committee consisting of Dewan Bahadur A. U. Malji, Divisional Honorary Organiser, Co-operative Societies, as

Chairman, Mr. B. S. Patel, Deputy Director of Agriculture, Mr. S. G. Almoula, Assistant Registrar, Co-operative Societies, and Principal D. R. Gadgil, was appointed to assist the Investigator in his work. Similarly, in Dharwar, a committee consisting of Mr. C. B. Huli, B.A., Assistant Registrar, Co-operative Societies, Mr. S. S. Salimath, Deputy Director of Agriculture, and Professor S. G. Beri, Professor of Economics, Karnatak College, was appointed. We also arranged to have an intensive survey carried out in Sind by a staff working for the purpose under the direction of Khan Bahadur Azimkhan Inayatlikhan, Deputy Registrar, Co-operative Societies. The reports and returns embodying the details of these intensive surveys, together with an introductory note, are separately forwarded with this report. These reports contain valuable information on the general economic condition of the different districts which, if edited and published, would be of much use both to Government and the public. Investigations were also made into the gold thread and other industries of Surat and into the question of indebtedness in certain villages in Gujerat and Khandesh by the Provincial Co-operative Institute, Bombay, under the guidance of Professor H. L. Kaji. To all these gentlemen the sincere thanks of the Committee are due for the trouble they kindly took to make these inquiries.

After examining at Bombay as many witnesses as could conveniently appear before us we proceeded to Poona to hear further evidence and held sittings successively at Sholapur, Dhulia, Shirpur, Nandurbar, Surat, Broach, Ahmedabad, Karachi, Hyderabad, Sukkur, Shikarpur, Larkana, Dharwar and Belgaum. Sub-Committees of our Committee also visited Bijapur, Karad, Islampur, Ratnagiri, Kalyan and Bhiwandi. We took the opportunity, during our tour, of visiting several villages, indigenous bankers and banking institutions and industrial concerns and informally discussed with the representatives of various interests concerned questions having a bearing on the finance of agriculture, trade and industries. While our Sub-Committee was in Bijapur, a small committee was set up under the Chairmanship of the late Mr. V. H. Naik, Collector, to collect information by means of local detailed inquiries. The committee sent us a useful report for which our thanks are due to them.

After collecting the material placed before the Committee by the witnesses and other persons informally examined by us, we re-assembled in Bombay on the 3rd March 1930 for preliminary discussions which lasted till 8th March and then proceeded to Matheran on the 26th March to write the report. Our draft report was completed on the 13th April, and was finally considered and adopted in Bombay on the 7th May. A copy of our itinerary is printed as Appendix III to this Report.

4. We have tried to carry out the enquiry according to scheduled time, but we should like to point out that for a
MAIN DIFFICULTIES. thorough and comprehensive investigation into the various questions concerning the economic condition and financial and banking problems of so large a province, which differs from district

to district in physical characteristics and the population of which shows such marked diversity of habits, traditions and customs, the period of eight months allotted to us could hardly be considered sufficient. Our main difficulty has been the paucity of material concerning rural economic conditions in the Province. Very few economic inquiries have been held in this Province in the past and our experience of the intensive inquiries made by us shows that to carry out such investigations is a matter both of time and money. We had to rely chiefly on the information collected by ourselves through our staff, but we have also drawn upon other sources, official and non-official. We have much pleasure in acknowledging the willing and valuable assistance which both officials and non-officials gave us in our inquiry. Many of them undertook to collect information at short notice. We desire to take this opportunity of thanking all the persons who helped us in this way. They are too numerous to be mentioned by name, but it is certain that without their help we could not have gathered all the information that we have been able to collect. In our own inquiries we were faced with the difficulty of eliciting full information from *shroffs*, the Imperial Bank of India and joint stock banks owing to their unwillingness and from the agriculturists owing to their ignorance. In our attempts to obtain statistics from the banks concerning banking resources we had to contend with their reluctance to divulge what they considered to be confidential matters. Not unnaturally, the indigenous bankers were the least communicative concerning their resources and the extent of their advances.

We have referred above to the need for the collection of accurate and reliable material regarding economic conditions in this Province. Some intensive inquiries have been made by officials and non-officials, but they are too few to allow any general conclusions to be based on them. A considerable amount of information is available in Government records, but this has not been collated. The necessity of making an organised attempt for the collection, collation and interpretation of economic data is so obvious that it is unnecessary for us to elaborate the point further. While on this subject, we would, however, repeat the recommendation already made by the Royal Commission on Agriculture for setting up, as early as possible, a Board of Economic Inquiry for such work. If such a Board, properly constituted and equipped, works regularly and systematically for a few years, we are confident it would be able to collect a considerable amount of information, which would be useful not only to the social reformer but also to Government. We suggest that the initiative in the organisation of such a Board should be taken by Government in consultation with the University of Bombay and other important public bodies interested in the work. A substantial part of the cost of such inquiries will have to be borne by Government, at least in the initial stages, but considering how useful the work is likely to be, not only for promoting the economic development of the Province, but also in determining questions of Government policy, such expenditure, in our opinion, should not be grudged.

Before we proceed with the consideration of the questions referred to us, we should, at the outset, like to express our opinion that no improvement in the existing credit system and banking facilities is likely to be effective unless it is accompanied by measures for raising the standard of living and economic condition of the mass of the population and for building up its productive strength. It is beyond our terms of reference to make specific suggestions in the matter, but we consider it essential to point out that progress of banking will depend on the spread of education and the promotion of agricultural improvement and the encouragement of industrial effort. Economic progress and development of banking being inter-dependent, banking cannot make any advance in a community sunk in poverty, ignorance and helplessness. Credit will merely supply grease to the economic machine and it is essential that all possible measures should be taken to ensure the efficient working of the entire mechanism.

CHAPTER II.

I. GENERAL FEATURES OF THE PROVINCE.

5. A general acquaintance with its physical features and economic conditions is necessary for a clear understanding of the present position and possibilities of banking in this Province. The Province of

NATURAL DIVISIONS. Bombay stretches from latitude $13^{\circ} 53'$ to $28^{\circ} 29'$ and from longitude $66^{\circ} 40'$ to $76^{\circ} 32'$. It has an area of 123,541 square miles, a little more than one-tenth of the total area of British India. It is not a compact territory. The Province falls into five regions, each possessing more or less general uniformity in its natural conditions and homogeneity of population. These five well-marked regions are :—(i) Sind, (ii) Gujerat, (iii) Maharashtra, (iv) the Karnatak and (v) the Konkan.

Of these, Sind is the most northerly region, with distinctive physical features and climate. Dominated largely by the river Indus, of which it forms the lower plain, with a scanty population and very arid conditions, it resembles Egypt in some respects. The Sindhis have their own peculiar characteristics with regard to social and economic life. The influence of distinct geographical features is evident in almost all matters of economic importance, and Sind has to be treated as a sub-province rather than one of the many smaller divisions of a larger unit. Gujerat consists of the coastal plain between the tableland to the south of the Malwa plain and the shores of the Arabian Sea. It is generously served by convenient trade routes which bring it into easy contact with regions lying to the north and the east. Gujerat also enjoys some other peculiar advantages. The soil is remarkably fertile, particularly in lower Gujerat, where the fertility and extreme suitability of the trap soil for cotton has largely determined the lines of agricultural and economic development. The rainfall is assured and makes the region generally immune from famine. Gujerat is thickly populated and the people have a peculiar aptitude for commerce. The Maharashtra is a narrow tract on the top of the plateau, stretching from the Satpuras in the north to the Krishna in the south, which divides it from the Karnatak. The Sahyadri mountains, commonly known as the Western Ghats, form its western boundary and to the east lies the Nizam's territory and Berar. It is a hilly region, the source of the great southern rivers, the Godavari, the Bhima and the Krishna. Rainfall in the eastern part of Maharashtra is uncertain, and the tract is often liable to famine. The crops are in consequence poor, except in lands lying along the valleys of its rivers. Khandesh can well be regarded, in many respects, as a sub-region of Maharashtra or as a sort of a transition zone between the Maharashtra and Gujerat. The Karnatak is the southernmost portion of the Bombay Presidency, with a fine fertile soil suitable for the growth of high grade cotton. Influences of Dravidian culture predominate in this region, which is in a sense a transition zone between the Deccan plateau and the plains of the South.

The opening in the hills leading to Goa establishes contact with the coast. The Konkan represents an entirely peculiar region, in this that unlike Gujerat where the coastal tract has established contact with the interior, it is shut out from the mainland by the high and precipitous wall of the Sahyadri mountains. It is essentially a narrow coastal plain about forty to fifty miles wide, sandwiched between the Western Ghats and the Arabian Sea. Communications in this region are extremely difficult, and in the rainy season, until the recent development of motor traffic, it used to be practically isolated. The rivers, useful neither for navigation nor for irrigation, serve, however, an important function as the potential sources of hydro-electric power. Rainfall is very heavy, and rice cultivation and fishing are the chief occupations of the region. The population is dense but its pressure on the soil is relieved by a large number of young people going over to Bombay to be employed there as factory operatives. The Konkan has thus become an important recruiting ground for labour required for the trade and industry of Bombay. Bombay, the capital of the Province and the principal sea-port of Western India, is the great commercial emporium of the East, as, in addition to its magnificent natural harbour improved by its extensive dockyards, it is connected by rail with the principal centres of inland trade and industry. It is the principal seat of the cotton textile industry and the greatest industrial and banking centre of the Province. Unlike other cities in the Province, Bombay is essentially a cosmopolitan centre and claims as citizens people hailing from all parts of India. During recent years, the city has had an extensive suburban development and claims an efficient system of electrically-run suburban railways.

6. According to the census of 1921, the total population of the Province was 193 lakhs. This population is distributed unevenly throughout the different regions, being highest in Gujerat and the Konkan and lowest in Sind. The urban population was 44 lakhs or 22·7 per cent. of the total population. Though cities having a population of a lakh and more are very few, there being only six of them, *viz.*, Bombay, Ahmedabad, Poona, Karachi, Sholapur and Surat, there are 158 towns with a population of 5,000 to 1,00,000, while the villages number 26,528. Bombay, the great western metropolis and industrial and commercial centre, has a population of 11,75,914 being a little over one-fourth of the total urban population in the Province.

7. The great bulk of the population, 77·3 per cent. is rural, and occupational statistics of the census reveal that 1 crore and 22 lakhs or 63·6 per cent. of the total population was directly maintained by agriculture alone, which thus stands out clearly as the most important of the occupations of the people in this Province as in the rest of India. Next to agriculture, industry claims the largest number, 12·2 per cent., with trade following with 7·5 per cent., while transport has only 2·2 per cent. Of those engaged in trade, 26,303 were returned as bank managers, money-lenders,

exchange and insurance agents, money-changers, brokers and their employees; those engaged in marketing operations as brokers, commission agents, commercial travellers, warehouse owners, and their employees numbered 24,384.

8. As regards literacy, only 140 out of 1,000 were returned as literate males, and 25 out of 1,000 were returned as literate females. These figures are, however, an average for the whole Province, there being considerable variations from the average in the different regions. The figures for literacy for every 1,000 persons were 136 for Gujerat, 75 for the Karnatak, 63 for Maharashtra, 62 for the Konkan and 55 for Sind. Bombay city shows much higher literacy, 241 per mille. Literacy also varies among the different communities. The Zoroastrians lead with 732 per mille, the proportion being both the cause and effect of their general progress; the Christians follow with 350, the European element among these helping considerably to raise the proportion; the Jains come next with 311, a proportion which is a testimony to their general affluence. The Hindus have only 81 per mille and the Mahomedans 54. Just as there are considerable variations between regions and between communities, there are variations also between urban and rural areas, there being naturally a much higher proportion of literates in towns than in villages. This difference is reflected in the much greater development in business habits in towns than in villages.

9. *Agriculture.*—The economic condition of the Province can best be surveyed by an examination of its agriculture, industries, trade and transport. The success of the agricultural industry depends upon several factors, the chief of which are the nature of the soil, the amount and distribution of rainfall, the kind of the crop grown, the size of the holding, the efficiency of the cultivator and the adequacy or otherwise of the resources at his disposal. Of these some evidently are natural factors and some human. It must be noted, however, that in very many cases, unfavourable natural factors can be offset by organised and determined endeavour. A careful system of rotation of crops and a judicious use of manure would greatly minimise the effects of bad soil; dry farming and irrigation would be very serviceable in tracts affected by scanty or badly distributed rainfall. It is largely the human factor, directed and guided by the forces of association and by the State, that is very largely the determining element in the success or otherwise of the agricultural industry. No doubt where nature assists man and State assistance and guidance are forthcoming in a material degree, the progress is rapid and striking; where the co-operation of nature, the State and the individual cultivator is not prominent, the progress will be halting and slow.

10. The greater part of the Presidency proper consists of the Deccan trap, from which is derived a highly fertile soil, the well-known black cotton soil, with a remarkable capacity for retaining moisture and extremely

suitable for the growth of cotton. Sind, however, has almost wholly alluvial soil, of very great fertility, capable of yielding rich crops where a good supply of water is available. What Sind wants most is thus irrigation, and with the mighty Indus running right across it from north to south, the problem, comparatively speaking, is easy enough. Numerous inundation canals on both banks of the Indus irrigate fairly large tracts and with the completion of the Sukkur Barrage, and its system of perennial canals, large areas will be brought under irrigation and the increased agricultural prosperity of Sind assured. Part of Gujerat has alluvial soil often of great depth, while the black cotton soil is found extensively in the Broach and Surat districts. Khandesh soils along the Tapti valley also belong to the black cotton soil type, but farther away from the valley approach the Deccan type. Maharashtra and the Karnatak have the same characteristically black soil, only the colour becomes lighter and the fertility less as the hills are approached. The bottom soils are clay loams of great natural fertility and form the greater part of the Dharwar and Belgaum districts. The coastal tracts of the Konkan have naturally a light alluvial soil, but the country is rugged and the soil is rich only in the valleys and in low lying places. From the point of view of natural fertility, therefore, the soils of Gujerat, Khandesh and the Karnatak are superior to those of the rest of the Province, so that even with lighter rainfall, these tracts grow richer crops and sometimes two crops in a year, which the Konkan, in spite of a much heavier rainfall, cannot do, because of the lightness of the alluvium. The soil conditions have led to the concentration of cotton cultivation in Gujerat, Khandesh and the Karnatak; while the light red soils of Maharashtra near the hills can yield only millets.

11. Water and manure are the two great needs of the Indian agriculturist, and the importance of sufficient and well distributed rainfall cannot indeed be exaggerated. Insufficient and unseasonable rainfall spells distress. Agriculture in the Presidency proper, as in the rest of India, is largely, under the present conditions, a gamble in rain. The vagaries of the monsoon catch the agriculturist defenceless, and all the wisdom and efficiency of man avails him not against the natural calamity. The natural element does, thus, in a sense predominate in agriculture, while in manufacturing industries it is largely the human element—efficiency, organisation, and steady demand—that counts most. The spectre of famine always looms large on the horizon of the agriculturist, introduces in the agricultural industry a considerable element of risk, and creates peculiar difficulties in the organisation of agricultural credit in some regions. Irrigation and dry farming are the only two principal safeguards, the former implying heavy expenditure by the State and the latter implying a higher level of intelligence among the cultivating classes.

The Presidency proper receives the bulk of its rainfall between June and October from the south-west monsoon, but some rain is also received in certain parts later in November and December. The south-west

monsoon weakens in October and the months of November and December represent the retreat of the south-west current and the ultimate establishment of the north-east monsoon. It is the Arabian Sea branch of the south-west monsoon and, to some extent, the north-east monsoon which count in the meteorology of the Presidency proper. While passing over the Konkan plains in a north-easterly direction, the south-west monsoon is obstructed by the steep wall of the Western Ghats, and the Konkan in consequence receives heavy rainfall. The winds ascend up the ghats, cross over to the tableland and descending pass on further north-eastwards. The Maharashtra thus remains in the rain shadow and gets scanty and irregular rainfall. Further up, the currents in Gujarat do not meet with the obstruction of any such mountain chain, and pass on through the Baroda-Ahmedabad gap to the Malwa plateau to mingle with the Bay of Bengal branch coming up the valley of the Ganges. Gujarat, therefore, does not receive heavy rainfall, but at the same time there is not the danger of serious drought. Sind remains outside the path of the rain-bearing currents and remains practically rainless. The normal rainfall in the Konkan is 108·5 inches, in Gujarat 32·4 inches, in the Deccan 30·8 inches and in Sind 6·7 inches.

Leaving out of account Sind, where it is not rainfall but the Indus with its canals that determines a good or a bad year, we find that out of a total area of 77,011 square miles in the Presidency proper, 24,498 square miles, or 32 per cent., being chiefly districts in Gujarat and the Konkan, are practically immune from the dangers of a severe famine. The rest, *viz.*, 68 per cent., is always faced with this danger. The districts particularly exposed to the risk of recurrent famine are Ahmednagar, Sholapur, Bijapur and the eastern portions of the districts of Poona and Satara.

12. Irrigation is of very great importance to agriculture particularly in tracts with scanty or uncertain rainfall, which (iv) IRRIGATION. are liable to famine, as also in regions like Sind, where rainfall practically does not enter into the agriculturist's calculations. It is important also in other tracts where it enables higher yields to be obtained per acre. The three main types of irrigation works are lift, storage and river works, represented by wells, tanks and canals respectively. The total gross irrigated area in the Province in the year 1928-29 was 44 lakhs of acres, out of which the double cropped area was 3 lakhs. The net irrigated area was thus 41 lakh acres. The following figures show the distribution of this area according to the different classes of irrigation :—

Source			Area (in thousands of acres)
(1) Government canals	..	..	32,35
(2) Private canals	..	..	86
(3) Wells	..	..	5,87
(4) Tanks	..	..	1,21
(5) Other sources	..	..	94
Total			41,23

Of these 41 lakh acres, 31 lakhs were in Sind alone, being almost wholly irrigated by Government canals. Of the remaining 10 lakhs, Maharashtra had 6.5 lakhs, of which 3.9 lakhs were irrigated by wells, and 1.9 lakhs by Government canals. Tank irrigation is important in the Karnatak where it irrigates 94 thousand acres. The area irrigated by wells is 70 thousand, 65 thousand and 16 thousand acres in Gujerat, the Karnatak and the Konkan, respectively. The following table gives detailed figures relating to the net area and the crops raised in the irrigated tracts of the Province :—

Area irrigated (in thousands of acres)

Crops				Presidency proper	Sind	Total
Rice	..	..	..	1,98	11,78	13,76
Wheat	..	..	..	1,68	2,80	4,48
Jowar	..	..	..	2,12	5,40	7,52
Bajri	..	..	..	45	4,13	4,58
Sugar-cane	..	..	..	61	3	64
Cotton	..	..	..	34	3,89	4,23
Miscellaneous	..	..	..	4,22	4,89	9,11
Total				11,40	32,92	44,32
Less, cropped more than once				1,40	1,69	3,09
Net cropped area				10,00	31,23	41,23

The problems of agricultural finance in the irrigated areas of the Presidency are obviously different from those in other tracts. The crops grown in the former are richer, the yield is heavier and more finance is necessary. Care has, therefore, to be exercised in making advances to the cultivators inasmuch as fluctuating prices and the water-logging of the soil might seriously affect the repaying capacity of the borrower.

13. The following table sets forth figures relating to the classification of the land surface in the Province from the point of view of cultivation :—

(v) CULTIVATION.

Description			Areas (000's)	Percentage
Net cropped area	..	..	3,21,13	40
Current fallows	..	..	1,08,17	14
Cultivable waste	..	..	68,19	9
Forests	..	..	92,40	12
Uncultivable	..	..	1,99,10	25
			7,88,99	100

It will be seen that more than 68 lakhs of acres are available for extension of cultivation. Of these, 59 lakhs or more than 87 per cent. are to be

found in Sind. It is a large part of this area which is sought to be brought under cultivation by the Sukkur Barrage scheme. The forest areas are mostly to be found in the coastal districts of Kanara and Thana as also in the hilly parts of West Khandesh, Nasik, Satara and Poona. These account for more than 64 per cent. of the total forest area in the Presidency, the two districts of Kanara and West Khandesh alone having about 38 per cent.

14. The organisation of the agricultural industry and its success are affected considerably by the size of the agricultural

(vi) **HOLDINGS.** Large and compact holdings make profitable agriculture possible, whereas small and fragmented holdings render it uneconomic. The problem of the size of agricultural holdings and their fragmentation has attracted public attention during the past few years. The following figures regarding the average holding in the five regions of the Province will be interesting :—

Region				Average holding	Average assessment per acre
				Acres	Rs. a. p.
Gujerat	..	..	..	7.7	2 14 1
Deccan	..	..	..	14.5	1 0 6
Karnatak	..	..	..	15.3	0 15 9
Konkan	..	..	..	7.95	1 13 11
Sind	..	..	..	38.7	1 8 8
The whole Province	..	..	..	14.9	1 4 10

It will be seen that Sind has the largest average holding. This fact can be explained by a combination of circumstances—historical, natural and economic. It is also obvious from the figures that in the Presidency proper the tracts with fertile soil or with sufficient and assured rainfall have a small average holding and heavier assessment per acre while the drier tracts liable to famine have a larger size of holding but a lower assessment per acre. The following table gives detailed figures and percentages which bring out the exact state of affairs in this connection more clearly :—

Details of holdings	No. of holders	Area held, acres	Percentage of groups of holdings to total holdings	Percentage of area held by different groups to total area
<i>For Presidency proper</i>				
Up to 5 acres	10,13,465	23,62,484	47.4	8.84
Over 5 and up to 15 acres	6,24,270	55,95,138	29.2	20.96
Over 15 and up to 25 acres	2,48,790	48,47,182	11.6	18.15
Over 25 and up to 100 acres	2,30,563	95,40,119	10.8	35.73
Over 100 and up to 500 acres	20,876	34,27,980	0.96	12.82
Over 500 acres	918	9,43,547	0.04	3.5
Total	21,38,882	2,67,16,450	100.0	100.0

Details of holdings	No. of holders	Area held, acres	Percentage of groups of holding to total holdings	Percentage of area held by different groups to total area
<i>For Sind</i>				
Up to 5 acres	68,819	2,33,236	31.5	2.7
Over 5 and up to 15 acres	65,753	6,07,172	30.07	7.2
Over 15 and up to 25 acres	28,206	5,56,753	12.9	6.6
Over 25 and up to 100 acres	42,015	20,19,578	19.2	23.9
Over 100 and up to 500 acres	11,596	23,10,666	5.3	27.2
Over 500 acres	2,251	27,39,042	1.03	32.4
Total ..	2,18,640	84,66,447	100.0	100.0

In the Presidency proper 77 per cent. of the holdings are 15 acres and below in size and cover only 30 per cent. of the total occupied area, with an average of less than 5 acres per holding. In Sind, however, 62 per cent. of holdings are of this size and cover an area of 10 per cent. with an average of over 6 acres per holding. On the other hand, big holdings of over 100 acres form 1 per cent. of the total in the Presidency proper with 16 per cent. of the total area, while 5 per cent. of the holdings in Sind belong to this group with 60 per cent. of the total occupied area. The details regarding districts are set forth in Appendix IV. From the point of view of agricultural finance, the existence of small holdings is a very serious matter indeed. Taken by themselves the holdings are often uneconomic, and cannot yield to the cultivator and his family enough subsistence, to say nothing of comfort. This fact has an important bearing on the problem of agricultural credit which we discuss in Chapter V. The difficulty is practically overcome in some areas by the fact that the small uneconomic holding is combined for purposes of cultivation with other lands taken on lease. The Superintendent of Census Operations, Bombay, in his report of 1921, points out that many cultivators have about 50 per cent. of owned land and 50 per cent. of rented land. This is also borne out by the facts obtained by our investigators in the course of their intensive inquiries. We find from their report that the unit of cultivation is almost always larger than the owned unit when that happens to be very small. The gravity of the situation is thus alleviated to a certain extent.

15. The nature of the crop grown on the soil is also an important consideration in the finance of agriculture. The higher value of the commercial crops, the larger amounts needed for their financing and the complexities of their marketing, differentiate districts where these crops are grown from those which chiefly raise food crops. It is necessary, therefore, to understand the position occupied by the important crops in the

(vii) CROPS.

Province in its agricultural economy. The following table presents the figures in that connection :—

Percentage of the area occupied by various crops to the total gross cropped area.

Crops	1924-25	1925-26	1926-27	1927-28	1928-29
Rice	9	10	9	9	9
Wheat	6	5	6	6	6
Jowar	28	26	24	23	23
Bajri	12	14	17	17	15
Others	13	13	16	15	15
Total cereals and pulses ..	68	68	72	70	68
Sugar-cane	0·2	0·2	0·2	0·2	0·2
Other food crops	1·8	0·8	0·8	0·8	0·8
Total food crops ..	70	69	73	71	69
Cotton	16	17	14	15	16
Oilseeds	4	4	4	5	5
Others	10	10	9	9	10
Total non-food crops ..	30	31	27	29	31
Grand Total ..	100	100	100	100	100

The food crops are together more important than the non-food crops in the Province as a whole, though as we shall presently show, the percentages in certain districts reveal a different story. Of the food-crops too, the millets, *jowar* particularly, are more important than rice and wheat. Of the non-food crops, the most important crop is cotton. The area under *jowar* is 78 lakh acres, of which 43 are in the Maharashtra and 23 in the Karnatak, the chief *jowar* districts being Sholapur, Bijapur, Ahmednagar and Poona. *Bajri* occupies 50 lakh acres, 33 lakhs being in Maharashtra and 10 in Sind. The chief *bajri* districts are Ahmednagar, Nasik, Thar Parkar and Poona. Rice covers 31 lakh acres, 11 lakhs in the Konkan and 12 lakhs in Sind, the chief rice growing districts being Larkana, Hyderabad, Karachi, Thana, Kolaba and Ratnagiri. Cotton occupies 52 lakh acres, of which 18 are in Maharashtra (largely in Khandesh), 18 in the Karnatak, and 10 in Gujerat, the chief districts being, in order of importance, East Khandesh, Dharwar, Bijapur, West Khandesh, Ahmedabad, Broach, Belgaum and Ahmednagar. Oilseeds cover an area of 19 lakh acres, Maharashtra claiming more than 56 per cent. of the total. Groundnut is the most important of the seed crops, and occupies 10 lakh acres of

which 7.6 lakhs and 1.6 lakhs are in Maharashtra and the Karnatak, respectively. The chief districts for groundnuts are East Khandesh, Satara, Sholapur, Belgaum, Dharwar and the Panch Mahals. The sugarcane crop occupies 65 thousand acres, Ahmednagar, Poona, Belgaum and Satara claiming 14, 11, 11 and 8 thousand acres, respectively.

The following districts are important as growing commercial crops and as such need particular attention in considering the problems of agricultural finance: East Khandesh, Dharwar, Bijapur, West Khandesh, Ahmedabad, Belgaum, Ahmednagar, Broach and Poona.

16. In the absence of adequate statistical data, it is impossible to arrive at an accurate value of agricultural produce in this Province. There are difficulties about prices and outturn, and even the classification of crops is not conducive towards an accurate valuation. Thus, for instance, in Table III of the provincial "Season and Crop Report," one of the column headings is "other food grains including pulses," and the area under this obscure heading is 3.3 million acres or almost 10 per cent. of the gross cropped area. In the absence of further details, it is impossible to arrive at an accurate valuation of the produce of this area. The same remarks apply to the small though important area under "Fruits and Vegetables."

As regards difficulties about outturn, the provincial "Season and Crop Report" does not give figures of outturn even for all the crops for which figures of area are available. Thus Table V-A of this report gives statistics of outturn only for cereals and pulses, the important crops consequently omitted being cotton, sugar-cane and oilseeds. The annual publication of the Government of India on "Estimates of Area and Yield of Principal Crops in India" gives figures of outturn for these crops, but the figures are aggregate for Bombay Presidency including the Indian States, and cannot, therefore, be used directly. The publication, however, contains figures of average yield per acre, and we have arrived at the outturn of cotton, sugar-cane and oilseeds by multiplying the area under the crop by the average yield. There are also certain minor crops such as drugs, narcotics, dyes, condiments and spices, for which no correct estimates can be framed. A similar difficulty is also met with in the case of the fodder crops which occupy nearly 7 per cent. of the gross cropped area.

In addition to these difficulties there is the difficulty about prices. There are two sets of prices available: (1) the prices given in the "Index Numbers of Indian Prices," which is a publication of the Government of India, and (2) the prices given in the provincial "Season and Crop Report." The former gives wholesale prices for some commodities, and an average of retail prices for others, while the latter are all harvest prices. In the estimates of value that we have framed, we have used, wherever available, harvest prices as being more representative of true values and supplemented them by the prices given in "The Index Numbers of Indian Prices." We have also had

to draw upon "The Review of the Trade of India" for prices of groundnut and castor seed.

We give below, subject to the limitations mentioned above, an estimate of the value of the different kinds of agricultural produce for the five years 1923-24 to 1927-28 for which statistics are available :—

Value of agricultural produce in the Province of Bombay.

	1923-24	1924-25	1925-26	1926-27	1927-28
	Rs.	Rs.	Rs.	Rs.	Rs.
1. Cereals ..	57,44,25,548	78,10,13,352	66,94,89,990	76,93,59,543	76,91,24,095
2. Pulses ..	3,82,00,720	5,28,28,100	5,19,66,390	7,12,65,870	7,72,67,400
3. Sugars ..	5,18,31,000	6,11,56,000	5,50,55,000	4,60,94,000	4,53,16,000
4. Cotton and Fibres	24,97,40,000	26,45,72,000	19,80,80,000	12,96,07,000	18,52,70,000
5. Oilseeds including cotton seeds.	13,03,90,733	18,36,63,640	20,79,96,790	19,72,96,354	22,73,66,529
6. Tobacco and other narcotics.	5,35,40,800	6,13,76,400	6,11,22,400	5,51,93,600	6,06,30,000
7. Condiments and spices.	1,86,92,400	1,71,97,400	1,72,55,200	1,81,25,100	2,15,44,000
8. Fruits and Vegetables.	10,31,85,400	9,55,14,600	9,34,84,800	5,33,75,600	4,66,57,800
9. Food-crops and fodder.	14,56,84,176	14,81,03,844	14,18,75,136	15,29,87,394	15,43,03,668
Total ..	1,36,56,90,777	1,66,54,25,396	1,49,63,25,706	1,49,32,94,461	1,58,74,79,492

On an average the value of agricultural produce every year comes to about Rs. 152 crores.

17. *Industries.*—Non-agricultural industries fall chiefly into two types, those which are organised industries and those which may be described as cottage industries.

(i) NON-AGRICULTURAL INDUSTRIES.

The essential difference between these two types of industries consists in the scale of business, organised industries generally being large scale industries and cottage industries small scale ones. We are not concerned with the former class. The latter we shall describe in Chapter IX. Despite the striking progress in organised industries achieved in this Province, cottage industries still continue to occupy an important place in the economic life of the people and the need for affording to the small industrial producers the benefit of an improved system of finance is no less urgent than in the case of agriculture.

18. In 1928 there were 1,498 factories working in the Province, all subject to the provisions of the Indian Factories Act, employing, on an average, 3,56,083 persons daily. The most important amongst the factories are those connected with the great textile industry, principally, cotton mills. The cotton mills numbered 192, chiefly in three centres, Bombay City, Ahmedabad and

Sholapur. These, together with 3 silk mills and 4 woollen mills, gave employment daily on an average to 2,23,000 persons. The rest of the factory population was supported by 688 cotton gins and presses, 132 engineering works, 67 Government and local fund factories, 74 printing presses, and 104 factories engaged in the manufacture of chemicals, dyes, etc. In addition, there were also 73 rice mills, 23 flour mills and 19 ice and aerated water factories, 7 saw mills and 4 brick and tile factories. The increase in the number of factories since 1910 may be seen from the fact that in that year there were only 301 gins and presses and no rice or tile factories registered under the Indian Factories Act. Bombay City with 374 factories is the most important industrial centre in the Province and even in India, while the districts of Ahmedabad, East Khandesh, Dharwar, West Khandesh, Ahmednagar, Broach, Surat and Karachi have more than 50 factories each.

The cottage industries in the Province are even more important from the point of view of the numbers engaged in and the numbers maintained by them. The details regarding the more important of these are set forth in the table below :—

Cottage Industries.

	Industry	Actual workers (men)	Actual workers (women)	Total
1	(i) Cotton : sizing and weaving and spinning.	71,495	52,398	123,893
	(ii) Wool : carding and spinning and weaving of blankets and carpets.	6,581	7,873	14,454
	(iii) Silk : spinning and weaving ..	4,880	10,443	15,323
	(iv) Dyeing and printing ..	9,961	2,253	12,514
	(v) Lace, crape and embroidery ..	4,129	2,939	7,068
	(vi) Workers in coir, hemp, etc. ..	3,387	2,277	5,664
	Total, Textiles ..	1,00,433	78,483	1,78,916
2	Tanners and leather workers, etc.	23,317	4,870	28,187
3	Earthenware, brick, tile and porcelain.	36,133	19,910	56,043
4	Workers in precious stones and metals, etc.	41,077	2,120	43,197
5	Basket making, etc.	13,133	13,591	26,724
6	Metal workers	16,268	1,439	17,707
7	Oil pressing	11,548	3,285	14,833
8	Food industries ; sweatmeat, biscuit, cheese, molasses, etc., making.	7,966	1,920	9,886
9	Printers and lithographers	4,618	238	4,856
10	Bangles and beads making	1,403	480	1,883
11	Others : Toy-making, Ivory working, coach building, cabinet making, etc.	2,537	275	2,812
	Total	2,58,433	1,26,611	3,85,044

19. Handloom weaving is a very widespread industry. Cotton and woollen weaving is common in almost all the parts of the Province, but assumes special importance in certain districts. The number engaged in cotton weaving comes to about 82,000 persons, and cotton spinning seems still to persist in parts of the Karnatak and the Sholapur district. Woollen weaving is almost concentrated in Ahmednagar, Dharwar, Sholapur, Satara, Poona and Nasik districts and the carding and spinning of wool is mainly found in Dharwar, Satara and Belgaum. Silk spinning is principally carried on in Bijapur and Dharwar, while silk weaving is localised in the Surat, Ahmedabad and Ahmednagar districts. Workers in fibres other than those mentioned above are concentrated in Sind and Ahmednagar.

(iii) HANDLOOM INDUSTRY.

20. Next to the textile industry, the tanning, leather dressing and leather manufacturing industries are especially characteristic of Maharashtra and Sind, while the goldthread and silverthread industries are mainly found in Surat, Ahmedabad, Poona and Yeola. It is interesting to note that in several industries women workers are more numerous than men. This is particularly noticeable in the case of handspinning, whether it be cotton, wool or silk and that in cotton ginning and basket making, the number of women is almost equal to the number of men.

(iv) OTHER SMALL INDUSTRIES.

21. *Trade and Transport.*—The commercial importance of this Province is largely based on its ports. Of the five great ports of India, two are included in the Bombay Province, namely, Bombay and Karachi. The port of Bombay its magnificent harbour has for its hinterland not merely the whole Presidency of Bombay but also parts of many other provinces of India, and serves as the outlet and the inlet for the western parts of the Central Provinces and Berar, Hyderabad (Deccan), Rajputana and parts of the United Provinces of Agra and Oudh, while Karachi has for its hinterland Sind and the Punjab. The share of the Province in India's seaborne trade is considerable, as will be seen from the following table :—

Seaborne Trade, 1927-28 (Merchandise).

		(In thousands of rupees)		
		India	Bombay	Per-centage
Imports	.. ..	2,49,84,66	1,12,79,68	45
Exports	.. ..	3,28,69,13	87,42,36	27
Total foreign trade	.. ..	5,78,53,79	2,00,22,04	35

Examination of similar figures for the previous four years shows that while, in 1923-24, this Province shared 45 per cent. of the foreign trade

of the whole of India, the percentage has gone on diminishing from year to year, and it is now 35 as shown above. The import trade is of much greater importance than the export trade. The chief imports in the Province are cotton, woollen and silk piecegoods, metals and machinery, raw cotton, sugar and oils, while the leading exports are raw cotton, cereals, raw wool, cotton manufactures, oil seeds and raw hides and skins.

22. Besides the two important ports of Bombay and Karachi, the Province has, excluding the Kathiawar ports, on its coastline of 1,534 miles deeply indented by the gulfs of Cutch and Cambay and by many bays and creeks, 29 subordinate ports. Of these 29, two are in Sind and the rest in the Presidency proper. They are open throughout the summer and winter, but with the exception of Karwar, Vijayadurg and Jaygad they are not sufficiently protected during the monsoon from the heavy south-western winds. Owing to the absence of a properly developed system of land transport along the western coast there is practically no foreign trade from these subordinate ports, which, therefore, is concentrated at the chief ports of Bombay and Karachi. These subordinate ports are, however, important for the coasting trade, the value of which amounted in the year 1927-28 to Rs. 86,59,88,000 which is 43 per cent. of the total foreign trade of the Province. The imports coastwise amounted to Rs. 43,88,57,000 and the exports to Rs. 42,71,31,000. Of this large coastal trade, Bombay claims more than 70 per cent. and Karachi 18 per cent. while the ports of Karanja, Honawar, Vengurla, Broach, Uran, Bankot, Ratnagiri and Malwan have each an annual coastal trade of more than Rupees forty lakhs. It must be remembered that these ports do not carry on trade coastwise with Bombay only, but that they have also a brisk trade among themselves and also with ports of the other provinces of India. The total volume of such trade was valued at Rs. 7,64 lakhs for the Presidency proper and Rs. 2 lakhs for Sind, and the ports traded with were as distant as Cochin, Travancore, Madras and Calcutta.

23. In the absence of published statistics, it is very difficult to ascertain the value and distribution of inland trade

(iii) INLAND TRADE. in the Province. Though correct information is not available, it is certainly true that in point of magnitude, the home trade in the Province must be considerably greater than the foreign trade and, so far as the extension and improvement of banking facilities are concerned, needs as much attention as the trade with foreign countries; and yet modern banking facilities were first developed for the requirements of foreign trade, and the home trade, except in large commercial centres, has remained largely in the hands of indigenous bankers. Organised banking has been advancing from ports to the inland cities and towns, and the problem now is to complete the chain by supplying to the rural areas improved banking facilities and connecting these with the banking institutions in the great ports and cities. The Census Report for 1921 shows that 14,19,000 persons pursued

trade as their occupation. Of the trades which supported this large population, the most important were those in textiles, food-stuffs, fuel, means of transport, and articles of luxury, while dealings in credit, or money-lending, brokering, money changing, insurance, etc., supported no less than 72,000 persons.

24. Trade and transport are closely interrelated. The magnitude, distribution and character of trade are very greatly affected by the means of transport available and by the extent to which they develop in response to the requirements of trade. The total railway mileage in the Province is 4,049, which is 10.3 per cent. of the total mileage open in India on 31st March 1928. Since the early fifties of the last century, when railway construction was taken in hand in India, the lines have been built inwards from the chief ports, serving primarily the needs of the import and the export trade. The needs of the internal trade were long neglected and it is only within recent years that some provision has been made for it by means of branch and feeder lines. Even the progress in this direction has been slow in the Province, and the question has now to be considered in relation to the rapid expansion of competing motor traffic. Bombay, the premier port and commercial centre of the Province, was connected with the interior by the Great Indian Peninsula Railway, which ascended the tableland by the Thal Ghat leading to Delhi, through the central Indian plateau across the Satpura and the Vindhya Mountains. The route bifurcated at the Tapti Valley whence communication was established with the Central Provinces and Berar. Another bifurcation at the Narbada Valley led to Jubbulpore and thence to the plains of the Ganges and to Calcutta. The same railway system also ascended the Deccan plateau by the Bhor Ghat and connected Bombay with Poona, the natural focus of the Deccan routes. From Poona the line goes across the Deccan in a south-easterly direction to Madras. The Great Indian Peninsula Railway system is thus the most important railway which serves Bombay, and it is this railway which has contributed most to the greatness of Bombay as the commercial and industrial metropolis of India. From Poona the Madras and Southern Mahratta Railway follows an almost southward course, on the edge of the plateau, and serves Maharashtra and the Karnatak and establishes communication between Bombay and Mysore and the Malabar coast. Another very important railway system for the Presidency is the Bombay Baroda and Central India Railway, which connects Bombay with Gujerat and Kathiawar and also links it up with Rajputana and Delhi, by two routes, one by way of Ahmedabad and the Aravallis, and the other by the highlands of Dohad and the Malwa Plateau. These three railways serve the Presidency and concentrate all trade at Bombay, and leave the other ports quite subordinate and unimportant so far as the foreign trade is concerned. The construction of the Tapti Valley Railway connects the Great Indian Peninsula Railway with the Bombay Baroda and Central India Railway and brings Khandesh, the Central Provinces and Berar into contact with Surat on the Tapti estuary. It will be seen from this that the

Konkan is severely left alone, not being served by any railway. The great difficulty in the way of the construction of a railway right across the coastal belt of Konkan is the presence of numerous creeks and rivers which intersect the route. A cheap competing means of transport consists of the country craft plying along the coast line and the creeks. The question of the construction of a western coast railway south of Bombay is under consideration. In Sind, the railway follows the natural route, the Indus, crossing it at two places—Hyderabad and Sukkur—and connecting Karachi with the Punjab on the one hand and with Quetta and Baluchistan on the other. Bombay is connected with Karachi by sea, and by rail through a bifurcation on the Ahmedabad-Delhi metre-gauge route at Marwar, whence the Jodpur Railway crosses the Rajputana desert almost westwards till it reaches Hyderabad and joins the North-Western Railway to Karachi. The construction of a through broad gauge route from Bombay to Karachi is under consideration. Apart from the trunk routes, trade requires branch lines acting as feeders to the main lines and connecting market towns with the great trade centres and ports. Some such feeders have been already constructed, but it should be noted in this connection that motor transport is now successfully competing with railways, particularly for short distance traffic. This brings us to the question of roads in the Province.

25. There were in 1928 about 9,179 miles of metalled roads in the Province, maintained at an annual cost of over Rs. 40 lakhs. The chief roads are the Bombay-Agra Trunk Road starting from Bombay and running north-east through Thana, Nasik and West Khandesh, and the Poona-Bangalore road. About 6,096 miles of these roads were in charge of the Public Works Department and 3,083 miles were under local boards. There were also 20,321 miles of unmetalled roads, 18,105 miles of which were maintained by local boards. The unmetalled roads are often mere cart-tracks useless for traffic in the rainy season, especially in Gujerat. The Presidency has thus 7.43 miles of metalled and 16.45 of unmetalled roads for every 100 square miles of total area, and 48 miles of metalled roads and 105 miles of unmetalled roads for every 100,000 of population.

In Sind, wheeled traffic is obstructed by sand, and road construction is rendered difficult and very costly, while the numerous creeks and streams of the Konkan make road transport particularly difficult, especially during the monsoon season. The roads in the Deccan are fairly satisfactory, while those in Middle Gujerat are in most cases bad and besides there is no road connecting Gujerat with the Capital of the Province. Recently, Government have appointed a Road Board to advise them generally on the construction of new roads and their utilisation by various forms of transport. It consists of official and non-official members, the latter including representatives of District Local Boards and of Chambers of Commerce.

26. As regards the standard of living of the people of this Province, GENERAL ECONOMIC reference may be made here to the 8,011 family CONDITIONS. budgets collected by the Superintendent of Census Operations in 1921 from different parts of the Presidency and published

as an Appendix to the Census Report for the Bombay Presidency. According to these budgets, the *per capita* annual income in urban areas was found to be Rs. 100, and that in rural areas to be Rs. 75 so far as the Presidency proper was concerned. Sind fared a little better, the corresponding figures being Rs. 140 and Rs. 100, respectively. While these figures cannot be accepted as conclusive in themselves, and need modification in view of the fall in prices which has taken place since they were compiled, they indicate the small earning capacity of the Province taken as a whole. From these averages, there are variations, no doubt, in the five regions into which the Province has been divided. The percentages of budgets showing an annual *per capita* income of less than Rs. 75 were 22 in Sind, 36 in Gujarat, 40 in the Karnatak, 43 in Maharashtra and 66 in the Konkan. The Konkan is thus worse off than the other regions, in spite of its total immunity from drought, chiefly because of the severe pressure of population on the land.

Another test that may be applied for estimating the economic condition of the people in the rural areas is furnished by the number of cultivating tenants. In the Konkan, as we find from the Census Report, almost all the cultivators are tenants, working on the land of the *khot*, while in Maharashtra, the position is different. A tendency is visible amongst landholders in parts of Gujarat to employ hired labour for work on their fields and owners of fairly large holdings tend to become landlords. This system is very prominent in Sind, where large *zemindars* generally lease out their lands and live on the income thus derived.

The daily average wage for skilled and unskilled labour provides another index to the economic conditions of the people.

The following table gives figures of daily average wages for different classes of labour in the different administrative and economic divisions of the province in the year 1928 :—

Divisions	Agricultural Labour		Unskilled Labour		Skilled Labour	
	Urban areas	Rural areas	Urban areas	Rural areas	Urban areas	Rural areas
<i>Political Division</i>	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Northern Division ..	0 11 5	0 8 9	0 13 5	0 8 6	2 2 4	1 12 8
Central Division ..	0 8 2	0 8 4	0 9 2	0 7 10	1 9 0	1 6 1
Southern Division ..	0 7 2	0 6 2	0 10 0	0 8 2	1 3 5	1 2 8
<i>Economic Circles</i>						
Gujarat Circle ..	0 11 3	0 9 6	0 12 7	0 8 9	2 1 5	1 11 8
Deccan Circle ..	0 7 5	0 6 11	0 9 2	0 7 6	1 5 7	1 3 9
Konkan Circle ..	0 10 8	0 8 3	0 12 5	0 9 4	1 14 4	1 14 6
Presidency proper ..	0 8 10	0 7 9	0 10 6	0 8 1	1 10 3	1 7 5
Sind ..	1 0 6	0 13 5	1 0 5	0 12 4	2 10 5	1 14 9
Presidency including Sind	0 9 1	0 7 11	0 12 0	0 9 2	1 13 2	1 8 8

The figures reveal the fact that labour is comparatively dear in Sind, while it seems to be the cheapest in the Maharashtra.

The picture of the economic conditions of the rural population of the Province is not very bright, yet the number of persons paying income-tax is greater in this Province than in any other part of India. The inference may, therefore, be drawn that economically there is considerable disparity in the position of the small upper class and the bulk of the population.

27. *Systems of Land Tenure.*—An examination of the tenures of land in the Province is necessary as it directly or indirectly provides the basis for agricultural credit. The land in this Province, outside Sind, is mostly held on the *ryotwari* tenure, i.e., a system of settlement with the *ryots*, or small holders, whose revenue payments are fixed after careful measurement and classification of land in their possession. The main feature of the system is the permanent right of each occupant to hold his land in perpetuity so long as he pays the land revenue to Government as fixed at the settlement or to sell, mortgage or otherwise dispose of it. The survey or old tenure, as it is called, is generally prevalent all over the Presidency, but a modification of it, known as the new or restricted tenure, was introduced in 1901. In the case of this tenure, the Collector is empowered to grant the occupancy of land subject to the condition that it cannot be transferred except with his permission. The restriction, however, applies, in the case of villages already settled, only to the new occupancies granted by the Collector and not to existing occupancies. Government are also empowered to introduce this tenure in villages which are being surveyed and settled for the first time. This restricted tenure is generally made applicable only to backward classes of cultivators, for instance the *bhils* of Khandesh and the Panch Mahals.

28. Besides the *ryotwari* or survey tenure, we have also various *inam* tenures and a number of other tenures, which do not fall under either of the above two classes. The word '*inam*' means gift or grant. *Inam* land is technically known as "alienated land", i.e., "transferred in so far as the rights of Government are concerned, wholly or partially, to the ownership of any person". The chief feature of the *inam* tenure is that the land is held on a reduced assessment which is not liable to revision and in some cases even free of assessment. Practically all the *inam* lands were granted in pre-British days and have now been settled on their present holders under the Survey Settlement Act of 1863. These *inam* lands can be classified under four heads, viz. :—

- (a) Personal or *jat inam*.
- (b) Political *inams* including *saranjams* and *jahagirs*.
- (c) *Devasthan* or religious *inams*.
- (d) Service *inams*.

Personal or *jat inams* are permanent and the *inamdar* holds the land with an absolute right of a transferable and heritable nature. There are no restrictions on alienation as regards these *inams*.

Political *inams* including *saranjams* and *jahagirs* are ordinarily impartible and inalienable. There are instances in which the *jahagir* has been held partible and alienable, but generally devolution to such *inams* is by the rule of lineal primogeniture, younger members of the family being entitled only to maintenance.

Devasthan inams are ordinarily inalienable and also impartible. Succession to them is regulated by the terms of the grant and the customs and usages of the endowment. The holder for the time being manages the *inam* in the capacity of a trustee for the benefit of the endowment.

Service *inams* are of two kinds—

- (1) *inams* for services already rendered in which case they are in the nature of personal *inams* or grants, and
- (2) *inams* for services to be rendered.

Inams of the latter kind are generally inalienable and are liable to resumption if services for which they are granted are not rendered or cease to be rendered.

Watans consist of grants of land made to officers either useful to Government or to the community. The alienation is of the soil and in most cases the grant is hereditary. The *watan* is not alienable except to a *watandar* belonging to the same *watan* as that of the alienor, and in cases where it is assigned as remuneration of the actual officiator it cannot be alienated at all.

29. The *talukdari* tenure is one of the most important in Gujerat and is (iii) TALUKDARI to be found principally in the Ahmedabad district. TENURE. The *talukdars* are the absolute proprietors of their respective estates, subject to the payment of Government demand, which may be either fixed or liable to periodical revision. The more important of these estates observe the rule of primogeniture, but in the case of the smaller ones the number of co-sharers goes on increasing from generation to generation. As many of the *talukdars* were in embarrassed circumstances, the Ahmedabad Talukdars Act (Bombay Act VI of 1862) was passed, under which the management of encumbered *talukdari* estates could be vested in the Talukdari Settlement Officer. No *talukdar* is now permitted to encumber his estate beyond his own life-time without the permission of the Talukdari Settlement Officer. Permanent alienation requires Government sanction. The *talukdar*, unless his estate is a very small one, does not usually cultivate his land but leases it to tenants. Some of these lands are cultivated by *ryots* who pay rent to the proprietor but possess no proprietary interest in the soil; others are cultivated by *mirasdars* who have a proprietary interest in the soil.

30. The *bhagdari* tenure prevails chiefly in the district of Kaira, while the *narvadari* tenure is confined to Broach. The (iv) BHAGDARI AND principle of these tenures, as distinguished from the NARVADARI TENURES. *ryotwari* tenure, is that under the former, Government settle for the revenue of the villages with the *bhagdars* or

narvadars, instead of with each cultivator individually. *Bhagdars* or *narvadars* are thus alone responsible to Government for the revenue, and all persons actually cultivating the lands in these villages are tenants, not of Government, but of each *bhagdar* or *narvadar*. Such tenants may be either (1) tenants-at-will, who can be ejected or whose rents can be increased at the pleasure of the *bhagdar* or *narvadar*, or (2) customary tenants, who cannot be ejected so long as they pay the customary rental. No portion of a *bhag* other than a recognised sub-division can be alienated. The only difference between the *bhagdari* and *narvadari* tenures is that in the former case there is a fixed assessment on the field, while in the *narvadari* tenure there is no separate field assessment, the assessment being fixed in a lump.

31. The *khoti* tenure prevails in Salsette, Kolaba and Ratnagiri. The *khots* in the Salsette *taluka* and the Panvel *taluka* are either proprietors or lessees in perpetuity and their position depends upon the tenure of their leases or other documents. In the Ratnagiri district the rights and liabilities of *khots* and their tenants are governed by the Khoti Settlement Act of 1886. Both here and in the Kolaba district the *khot* is in the position of a superior holder with respect to all the village lands over which he exercises *khoti* rights.

The *khot's* rights are heritable and can be divided amongst the heirs. They are also alienable. The *khot* has the right to cultivate or otherwise dispose of all the unoccupied lands of his village. The inferior holders in the *khoti* village are either *dharekaris* or quasi-*dharekaris*, occupancy tenants or tenants-at-will. The *dharekaris* are like ordinary survey occupants with heritable and transferable rights. The rent payable by them is limited to the survey assessment. The only difference between them and the quasi-*dharekaris* is that the latter have to pay as rent something higher than the survey assessment. In Ratnagiri, the rights of occupancy tenants are heritable but not transferable without the consent of the *khot*. In Kolaba, there is no positive law against or in favour of such transferability. Tenants-at-will in *khoti* villages are governed by the same law as prevails in the case of such tenants in ordinary villages.

32. In Sind the ordinary tenure is the full survey tenure, but the survey settlement has been altered to suit the peculiar conditions of the province where a large tract of the land is left uncultivated every year. The occupants are liable only for the assessment of each survey number cultivated, and have to pay at rates which vary according to the group of villages in which the village is situated and the method of irrigation followed. In the northern part especially, there are big *zemindars* who own thousands of acres of lands. Owners of small areas are known as *khatedars*. Both these classes are free to transfer their lands except when these are held on new tenure. While both these are permanent occupants of land, cultivation is actually carried on by *haris* who are generally tenants-at-will. The *haris* cultivate the land usually on a

crop share basis, the *hari* getting one-third to one-half of the crop, according as the irrigation is by lift or flow.

33. Tenancy, as a right or title to hold and enjoy land, is a tenure. It might, however, be said that
(vii) TENANCY. there is no positive law on the subject in this Province except what is scattered here and there in different enactments. The question of tenancy is, therefore, generally governed by customary law. A tenancy is either under a contract, oral or reduced to writing, or may be presumed under certain enactments. An agricultural tenancy in the absence of any other tenancy is presumed to be annual. It is only where such a tenancy is so old that there is no evidence of its commencement and there is also no satisfactory evidence of its intended duration, that such a tenancy can be declared to be permanent. As regards rent, the first element to be looked at is the agreement between parties, in its absence any local usage, and in the absence of both contract and usage the superior holder is entitled to what is just and reasonable. As regards termination of tenancy, in the absence of a custom to the contrary, no tenant can be ejected without being served with a notice to quit. Under the Land Revenue Code, a notice in writing is required to be given by the landlord to the tenant at least three months before the end of the year of tenancy.

34. We received a good deal of evidence on the subject of land values, but the information so received was not very useful
LAND VALUE. for basing any generalisations on them, as practically every witness only gave ranges between which the prices of land varied in each district, and not the average price for each kind of land. The Settlement Commissioner, however, sent us a useful statement showing values of different kinds of lands in certain *talukas* where the information was collected during the revision settlement inquiries which have been made since 1914. He also at our request, sent us information about the values of land in these *talukas* at the previous settlements made some thirty years before the present ones. Unfortunately, in the case of the older settlements, no separate information is given about the values of different kinds of land. We attach the statement of values arrived at during the more recent inquiries in some of the districts, and add to it columns showing average values arrived at at the previous settlement. (*Vide* Appendix V.) No information is available about the other districts and *talukas* regarding comparative values of land.

An examination of the statement indicates that land values have considerably risen during the last 30 or 35 years, but the rise shows considerable variations from district to district and even from *taluka* to *taluka*. The increase has been the highest in the districts of Maharashtra and the Konkan and the lowest in those of Gujerat. In Ahmedabad the increase has been small, in the Panch Mahals values have doubled. Khandesh, and Satara record abnormal increases varying from 400 to 600 per cent., with this difference that Satara shows a very wide margin between the values of dry crop and irrigated lands; while the Khandesh districts do not show such variations. The Konkan districts also

indicate considerable increase in land values, ranging from 200 to 400 per cent., and the increase is still greater in the case of *warkas* (hilly) land.

In considering the question of the appreciation of land values, it must be remembered that there has been a substantial rise in the value of agricultural produce during the last thirty years, and this has naturally affected the prices of land. Pressure of population has been growing, especially in certain districts. The temporary emigration from districts like Ratnagiri to industrial centres, and the desire to invest in land whatever savings may be effected in such centres have also been contributing factors to the increase in values. Agriculturists are generally inclined to invest their savings in land irrespective of the return which they may get on the price paid. This desire is partly due to want of other sources of safe investment, but during the war, the rise in prices of crops led several people, especially in the Karnatak, to purchase land at fancy prices, with borrowed money which many of them have been still unable to repay. Professional and other classes are also inclined to do the same owing to the social status and the security which the land offers. The current prices of land cannot, therefore, be regarded as a correct index to its intrinsic value.

CHAPTER III.

EXISTING CREDIT AGENCIES.

35. In the preceding chapter we have indicated the banking needs of the Province whilst describing its special economic features. In this chapter we give a general description of the existing credit agencies, their functions, resources, methods of business and scope of operations. The following table gives the names of the existing credit agencies in the Province together with available particulars regarding their working capital:—

Credit agencies in the Province (exclusive of indigenous bankers).

Description	No. of offices in the Province including Head Offices	Capital and Reserve	Total deposits	Working Capital
		(Figures in thousands of rupees)		
Imperial Bank of India ..	24	10,95,00	63,92,00	74,87,00*
Exchange Banks ..	26	2,10,57,19	15,43,19,17	17,53,76,36†
Joint Stock Banks registered in the Province ..	37	5,40,86	26,56,97	31,97,83‡
Joint Stock Banks registered outside the Province ..	16	2,61,83	26,07,22	28,71,05§
Private Banks ..	13	1,21,01	....	1,21,01||
Co-operative Central Banks ..	74	51,86	3,82,69	4,34,55||
Co-operative Urban Banks ..	70	58,62	1,90,31	2,48,93||
Co-operative credit societies ..	4,782	86,62	3,06,01	3,92,63||
	5,039			

* Figures for the year 1929 for all India.

† Figures for the year 1928 including deposits outside India. In the year 1927 their deposits in India amounted to Rs. 68,86,27,000.

‡ Figures for the year 1928 for all India.

§ Figures for the year 1927 for all India.

|| Figures for the year 1928-29.

Owing to the dearth of banking statistics, it is not possible to give an accurate picture of all the existing agencies. The preceding table does not include indigenous bankers who form one of the principal credit agencies of the Province, as no reliable figures are available concerning their number and extent of operations. As regards the joint stock banks, the "Statistical Tables Relating To Banks in India" are the only available source of information, but the latest available volume of this publication gives figures for the year 1927. There is no agency through which statistics can be obtained. It is particularly difficult to get figures for the Province. We received certain

statistics from the Imperial Bank and joint stock banks but not all the information we wanted. Only two joint stock banks favoured us with a reply to the questionnaire and only one deputed its representative to give oral evidence before us. Lack of information regarding operations of banks in the different districts has hampered us in dealing with the question of finance available for the different centres.

36. Although constituted as an ordinary joint stock bank, the Imperial Bank of India occupies a special position in the banking system of the country. Its operations are governed by a special Act. Being banker to Government and being to a limited extent the bankers' bank, in the absence of a central or reserve bank duly constituted by statute it is expected to discharge some of the functions of a central bank, particularly the regulation of the money rates of the country.

THE IMPERIAL BANK
OF INDIA.

The question of establishing a central bank for the country was under consideration for a number of years. During the first decade of this century the necessity for a widespread increase in banking facilities was becoming more and more insistent. It was felt that a centralized banking institution would be in a much better position than the then existing three separate Presidency Banks, *viz.*, the Bank of Bengal, the Bank of Bombay, and the Bank of Madras, to provide the required facilities and to utilise the resources of Government for the furtherance of the commercial interests of the country. A definite scheme for the formation of such a bank was outlined by Mr. J. M. Keynes and annexed to the Report of the Indian Currency Commission of 1913. Consideration of it was, however, postponed owing to the outbreak of the War. During the War the currency difficulties of Government pressed more forcibly on the attention of Government the necessity for a centralised banking institution which would form the solid background necessary for the development of banking. It was, moreover, better realised during the war than ever before that the interests of the Presidency Banks were common and demanded a co-ordinated policy. After the armistice, negotiations took place between Government and the Presidency Banks which led to the fusion of the three Presidency Banks and the formation of the Imperial Bank. An Act defining the constitution and functions of the Bank was passed in September 1920 and this was supplemented by a statutory agreement under the Act embodying the contractual relations entered into between Government and the Bank. The new Bank came into being on 27th January 1921. It was expected that it would attract deposits more readily than before, mobilise the country's credit resources, give substantial assistance to the internal trade of the country and extend its activities by opening branches in different parts of India.

Capital.—The amalgamation was accompanied by an increase of capital, the authorised capital of the Bank having been fixed at Rs. 1,125 lakhs against an aggregate of Rs. 375 lakhs of the three older institutions. On 31st December 1929 the share capital paid up was Rs. 5,62,50,000 and the reserve Rs. 5,32,50,000.

Business.—The Bank acts as banker to the Government of India and receives, free of interest, deposits of Government treasury funds and balances. In return it conducts, free of charge, the treasury business of Government, maintains currency chests at local head offices and branches throughout India and grants ways and means advances to Government from time to time. It is, besides, charged with the maintenance of the Public Debt Office and transacts the business of the registered Public Debt and Securities of the Government of India and the Secretary of State for a fixed remuneration.

In addition to Government business the Bank does the usual commercial banking business under certain restrictions and safeguards imposed by the Act. It can receive deposits, lend money, open cash credits, accept, discount, purchase and sell bills of inland exchange and issue letters of credit payable in India and Ceylon. It is not, however, allowed to borrow or receive deposits outside India or to advance money for more than six months, or to accept the security of shares of joint stock companies or titles to immoveable property or mortgages. It may make advances against the security of goods or documents of title to goods, but it cannot discount or purchase or open cash credits on the security of any negotiable instrument unless it carries with it the joint and several responsibility of any two persons or firms unconnected with each other by partnership. The Bank has local head offices at Calcutta, Bombay and Madras. It has also a branch in London, but it is not allowed by its charter to do foreign exchange business with the result that that business has been practically monopolised by the Exchange Banks.

Since its inauguration in 1921 the Bank has opened a hundred new branches as required by the Imperial Bank of India Act. In all, there are 153 branches of the Bank, besides 13 sub-branches and city branches. Of these, 23 are located in this Province. How far these branches have developed the banking habit and to what extent the Bank as a whole has financed commercial activities and succeeded in regulating the money-market, we shall examine in succeeding chapters. Meanwhile, the Bank's methods of financing trade and the extent of its operations in the Province may be noted.

Finance is granted by the Bank in one or more of the following forms :—

1. Loans for fixed amounts.
2. Cash credits, *i.e.*, running accounts on which limits have been fixed up to which the accounts of customers can be drawn upon.
3. Overdrafts on current account.
4. Negotiation of inland bills.

The outstandings as at 31st December 1929 of such advances within the Province were as under :—

	Rs.
Loans and cash credits	9,43,86,000
Overdrafts on current account	1,10,76,000
Inland Bills and Bills discounted	80,20,000*

* The total amount discounted during the year was Rs. 7,35,83,000.

37. The Exchange Banks are also joint stock banks, but their business is confined largely to the finance of import and export trade. They are not required to get themselves registered in India. With the exception of half a dozen of these banks doing a considerable portion of their business in the country, the rest are merely agencies of large banking corporations doing the bulk of their business abroad.

There are 19 exchange banks having their business offices in Bombay city. They have seven more offices working in Karachi. Their paid-up capital and reserve as on 31st December 1928 aggregated Rs. 211 crores, their deposits Rs. 1,543 crores and their total working capital Rs. 1,754 crores.

They have an Association of their own under the leadership of the Chartered Bank of India, Australia and China. The object of the Association is to maintain a certain standard, to secure harmony in the conduct of business and to safeguard the rights of its members. There are scarcely any points of contact between these banks and the Indian joint stock banks.

The Indian branches of these foreign banks do every type of banking business in addition to the business of financing the import and export trade of India. They receive deposits from the public in India and try to secure as much of the country's capital resources as they can obtain. While the Imperial Bank does not allow interest on current accounts, the exchange banks generally allow 2 per cent. on balances exceeding a minimum limit. It is a matter of general complaint that the resources thus tapped are used mostly for financing the foreign trade of the country, which is largely in the hands of foreign merchants, and that in times of monetary stringency abroad they remit money out of India to take advantage of high market rates in other places.

Statistics show that the deposits they receive in India have increased considerably during the last 15 years. In 1913 the deposits amounted to Rs. 31 crores, in 1922 they stood at Rs. 73 crores, and the figure is about the same at the present time.

No definite estimate of the extent of their Indian business can be framed, but the magnitude of their foreign exchange operations can be surmised from the volume of the foreign trade of the country, which is estimated at about Rs. 600 crores per annum and in the financing of which they have a predominant share.

38. All the banks registered under the Indian Companies Act come under this heading. These banks, though mostly of recent origin, form an important constituent of the banking system of the country. There are in this Province 17 joint stock banks with their head offices and 20 branches, while 8 joint stock banks with their head offices outside the Province have 16 branches in the Province. It is not possible to ascertain the deposits received by these banks in the Province during the year 1913, but from the available statistics for all India for the year 1927 for all the Indian joint stock banks with paid-up capital and reserve of over rupees

one lakh, it appears that there has been a considerable increase in the amount of deposits received by these banks, the total for the year being Rs. 64 crores against Rs. 24 crores in 1913.

These banks do ordinary banking business, such as receiving deposits, lending money, negotiating and collecting bills, but as separate figures of the deposits and advances of the different branches of these banks are not forthcoming, it is not possible to form a reliable estimate of their share in financing the trade and industry of the country. We find, however, from the extent of their operations and from the information obtained from merchants and brokers that these banks play a useful part in supplying credit facilities to businessmen and assist materially in financing the internal trade of India. In this Province the number of branches of the more important joint stock banks is very small. There are only ten centres in the Province including Bombay and Karachi where there are offices of these banks. Some of these banks receive large deposits from Indian States. They finance the movement of crops and the internal trade of the Province, but the bulk of the business is in the hands of the *shroffs*. These *shroffs* are financed by the head offices of these banks by advancing moneys to them or by discounting their *hundis*, but the assistance is necessarily limited and the general tenor of the evidence given by the indigenous bankers before us is that they do not receive adequate assistance either from the Imperial Bank or from the joint stock banks. As a matter of fact, the assistance rendered by these banks, for the finance of agriculture and small industries, is insignificant. This is also true of their share in the foreign exchange business. As a rule, the joint stock banks do not deal in exchange business, as they have no offices in London and as it is difficult for them to compete with the old-established exchange banks who are entrenched in a strong position with their vast resources and facilities for operations in foreign countries. A statement of the joint stock banks working in the Province is annexed to this Report. (*Vide* Appendix VI.)

39. During the year 1928-29 there were 13 private limited concerns registered as private banks. It appears to us that several private financial concerns which do banking business on a large scale have not been registered. There are certain companies which get themselves registered as private banking concerns for considerations other than that of transacting banking business. For instance, among the specified objects for which some of the companies have been started are the following: "carrying on business as capitalists, financiers, concessionnaires or merchants", "carrying on business as contractors", "forming, promoting, subsidising and assisting companies, syndicates and partnerships of all kinds", and "carrying on and transacting every kind of guarantee and indemnity business." Of the 13 concerns registered, 2 had no paid-up capital. The total paid-up capital of the remaining 11 companies amounted to Rs. 121 lakhs. This was made up of Rs. 119 lakhs, representing the capital of three companies, and Rs. 2 lakhs representing the capital of the remaining nine, the capital

REGISTERED PRIVATE
BANKS.

of the last three being only Rs. 3,000, Rs. 4,000 and Rs. 5,000, respectively.

With the exception of two or three *bona fide* business concerns, these private companies may be left out of account in ascertaining the resources of the existing credit agencies and the loanable capital available for financing trade.

40. The existing number, resources and volume of business of the indigenous bankers are alike shrouded in obscurity. As these indigenous banking concerns are under no obligation to get themselves registered, and as individual bankers or firms do not wish to divulge their business transactions, we have no reliable statistical information about the actual number of indigenous credit agencies carrying on their business in this Province or about their working capital or the volume of the banking and other business carried on by them. It can be safely asserted, however, that the amount of capital invested by them in banking business is considerable. It is variously estimated as being between Rs. 50 and Rs. 75 crores. This figure would, however, include the capital employed by money-lenders also.

Whatever may be the actual share of the indigenous bankers in financing the trade of the Province, there is no doubt that the finance required for the internal trade is largely supplied through their agency. The artisans and the small traders are also financed by them. Indigenous bankers advance money by book credits, or on promissory notes or receipts or by discounting *hundis*. They have either branches of their own or *adatyas* (agents) in different places on whom they draw bills. From remote times they have specialised in remittance business and they continue to provide facilities at centres not covered by the Imperial and other banks. As mentioned above, the indigenous bankers receive deposits from the public, but separate statistics of such deposits are not available. It is their general grievance that, since the development of branch banking, there has been a falling off in their deposits and that the postal cash certificates have further crippled their resources.

A full account of the methods of work of indigenous bankers, their system of keeping accounts and of the part played by them in the financial organisation of society will be given in Chapter XIII.

41. Among the agencies for financing the agricultural industry of rural areas, the money-lender is the most prominent figure. In spite of his usurious practices, it is to him mainly that the rural population looks for its personal needs as well as for the raising and movement of crops. According to the 1921 Census there were 26,303 "bank managers, money-lenders, exchange and insurance agents, money changers and brokers and their employees." On the assumption that the bank employees are also included in "the bank managers" and that the "brokers" are only insurance and finance brokers, we may deduct 6,306 from the total figure, which leaves 20,000 as the number of money-lenders for 26,528 villages in the Presidency. We have been told that from some places

the money-lender has disappeared and that in many places a single money-lender serves the needs of a group of villages. This shows that the approximate estimate given above is not an over-estimate. Neither can it be regarded as an under-estimate, as in the sphere of rural finance the money-lender is by no means a negligible factor.

The money-lender, or *sowcar*, generally does his business with his own capital, supplemented at times by borrowings from the urban money-lender or a city *shroff*. Often he keeps a village shop and supplies goods on credit and recovers his dues in cash or kind. He has hereditary connections with the agriculturist whom he is willing to finance, and whom the co-operative society is often unable to help. He is prepared to lend at all times of the day and he asks no inconvenient questions about the object for which the loans are raised. He is often content to lend on personal security. There is thus that close touch with the borrower which is lacking in the relations of other bankers with their customers.

A detailed account of the money-lenders will be given in Chapter XIV.

42. Co-operative banks are the only banking institutions for which full and detailed information is available. The statistics published by them give information about their capital, reserve, deposits and advances.

CO-OPERATIVE
BANKS AND SOCIETIES.

Had similar information been available in the case of joint stock and indigenous bankers, it would have enabled us to judge the adequacy of the available banking resources for meeting the requirements of each district.

Co-operative societies and banks constitute an important element in the banking organisation of the Province. They may be classified under two heads—agricultural and non-agricultural.

The Agricultural co-operative movement is meant to help in the provision of agricultural finance. Its unit is the agricultural co-operative credit society with unlimited liability. The operations of a society are generally restricted to one village, but sometimes, though rarely, embrace more than one. Normal credits are fixed on the basis of the members' requirements and the managing committee are empowered to grant loans as needed. Loans for purposes other than productive are not generally encouraged. The society obtains its funds, to some extent, from its paid-up share capital, and from members' and non-members' deposits, but its main source of finance is the Central Co-operative Bank which provides the necessary cash to these village societies. There were 4,309 such societies in the Province in the year 1928-29 with a total paid-up capital and reserve of Rs. 61 lakhs, members' deposits of Rs. 73 lakhs, loans advanced during the year amounted to Rs. 165 lakhs, and the outstandings were Rs. 304 lakhs.

Above the village society, and acting as its banker, is the District Central Co-operative Bank. This institution is intended to advance loans mainly to the village societies. Its finance is derived from the deposits of members and non-members and to some extent from loans by the Bombay

Provincial Co-operative Bank, which acts as an apex bank for all these District Central Banks. There were 19 such banks in the Province at the close of the year 1928-29, with a total working capital of Rs. 266 lakhs and loan operations amounting to Rs. 115 lakhs.

The Bombay Provincial Co-operative Bank is the apex bank on which depend the other co-operative banking institutions in the Province for financial assistance. It has 27 branches in the Province through which it has direct relations with the village societies in the districts not served by district banks. Its working capital was Rs. 184 lakhs, and its loan transactions Rs. 96 lakhs at the end of the year 1928-29.

The urban side of the co-operative movement is represented by non-agricultural credit societies, prominent amongst which, from the view point of banking, are urban banks. The co-operative urban bank is generally an institution with limited liability, and its funds are largely derived from deposits. It finances the small trader and the small industrialist. There were 70 such banks in the Province with a total working capital of Rs. 249 lakhs, and loan transactions amounting to Rs. 199 lakhs, during the year 1928-29.

43. Government play the role of a credit agency only in so far as they

GOVERNMENT.

make advances to agriculturists under the Agriculturists' Loans Act and the Land Improvement Loans Act. Such loans are made at moderate rates of interest (now 6·75 per cent.) either for meeting the agriculturists' current needs, or for their special needs, or for carrying out works of land improvement. Recently, however, advances under the first Act have been restricted in ordinary times to certain special tracts and backward classes, or to small special needs as those due to famine and flood, and *tagari* advances are ordinarily made mainly for purposes of land improvement.

44. In our enumeration of the existing credit agencies for the Province

OTHER AGENCIES.

we have to take into account several other agencies, *viz.*, exporting firms and merchants, *adatyas* or *dalals* and landlords who make advances to the cultivator during the process of production or marketing, also *karkhandars*, who finance small industries. It is not possible, however, to form even an approximate estimate of the extent of their transactions. In certain districts the operations under one or other of these agencies must be considerably large.

Industrial finance in the Province is facilitated to some extent by an institution peculiar to this Presidency, *viz.*, the managing agency system. Individuals or groups of individuals with large banking resources or sufficient credit undertake to provide the current expenses of organised industries, such as the textile mills, and in return obtain a percentage on the sale of goods produced by those mills. They provide themselves with funds either from their personal property or from friends or by inviting public deposits on which they pay a handsome rate of interest. The extent of finance thus provided is very considerable, but no detailed statistics can be furnished.

One other credit agency may be mentioned. There were, during the year 1927-28, eight private loan companies with a total paid-up capital of Rs. 188 lakhs. The business of such concerns is to lend money, negotiate loans and to deal in bills of exchange, but like the private banks they also undertake business as contractors, merchants, manufacturers, traders and commission agents.

CHAPTER IV.

AGRICULTURAL INDEBTEDNESS.

45. One of the most important problems connected with the question of the rural economy of the Province is that of the indebtedness of the agricultural classes. A very large proportion of the agricultural population is born in debt, lives in debt and dies in debt. We propose in this chapter to examine the volume and distribution of indebtedness and to deal with its causes and the sources from which and the conditions on which loans are obtained.

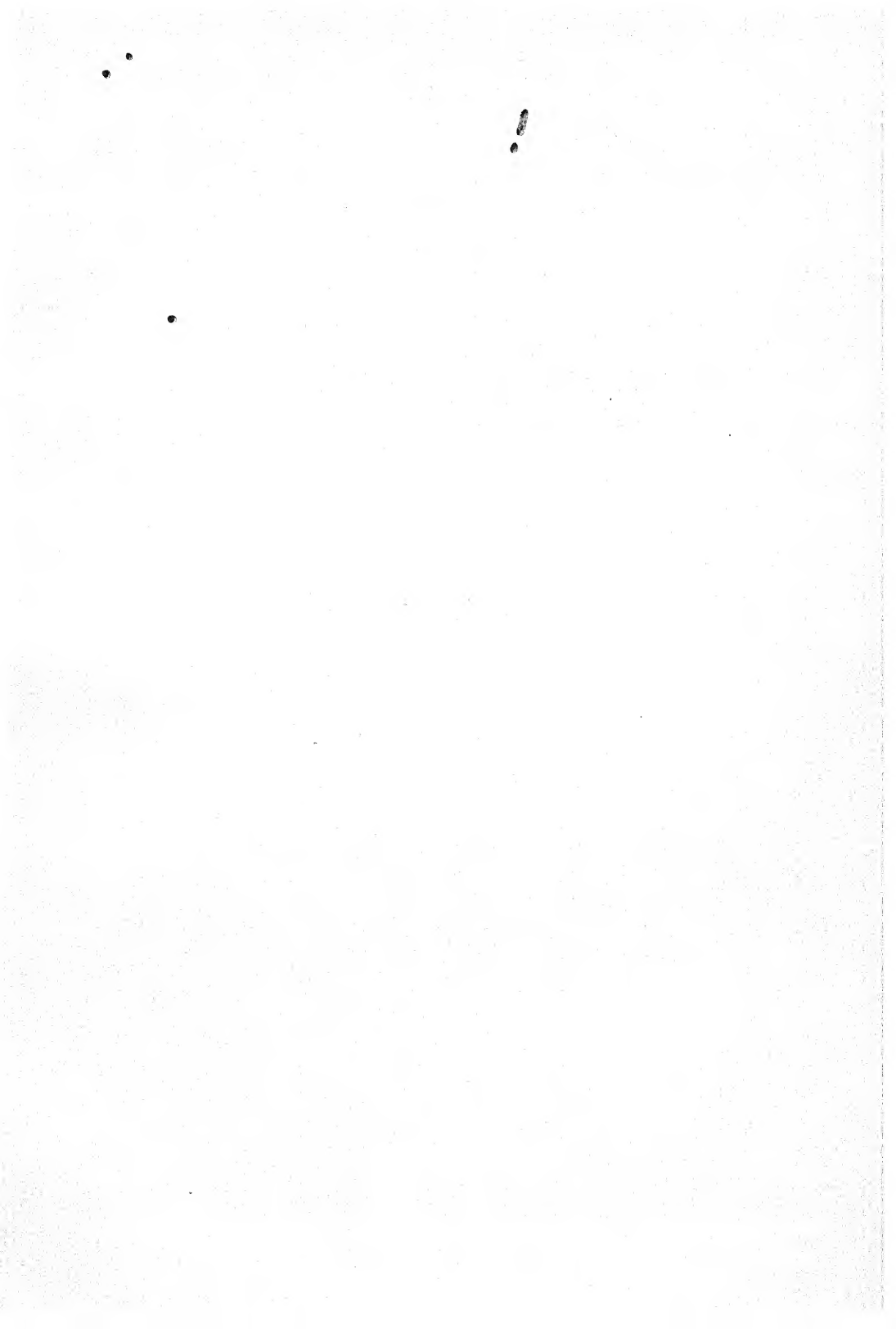
PREVIOUS
INQUIRIES.

No reliable estimate has yet been made of the total agricultural indebtedness of the Province as a whole. It is, in fact, extremely difficult to frame such an estimate unless elaborate house-to-house inquiries are made in a large number of villages throughout the Province. Even then the information will not be quite accurate, as many agriculturists themselves have no clear recollection of their own liabilities, and even when they have it, they are naturally averse to disclosing the facts, especially to an investigator who has not won their confidence. Nor can reliance be placed on documentary evidence, for it has been found that, in many cases, the amounts mentioned in registered documents are not correct. As we point out in Chapter XII, mainly as a result of the working of the Dekkhan Agriculturists' Relief Act, the amounts shown in such documents are much in excess of those actually advanced, and many a mortgage is disguised as a sale deed. There is, besides, no source of information regarding repayments, except the books of money-lenders, which they are often unwilling to show, and the word of the borrower, which is not always reliable. Loans advanced on promissory notes and by oral agreement are not recorded anywhere.

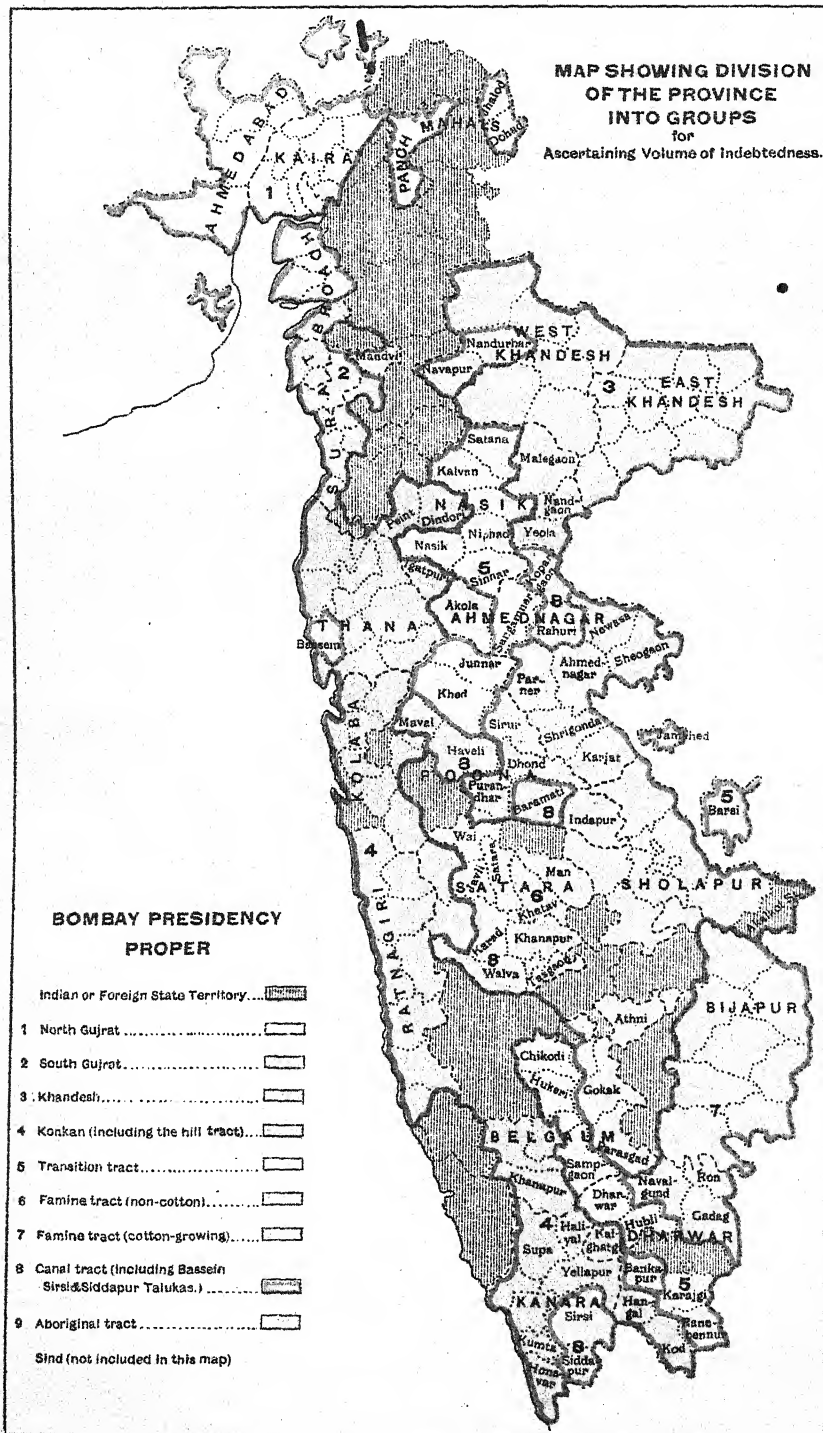
Some broad generalisations about the state of indebtedness in certain parts of the Province have been made in the course of other official inquiries carried out in the past. The Commission, which was appointed, to inquire into the causes of the Deccan riots of 1875, calculated that in the districts concerned, one-third of the population was involved in debt, and that two-thirds of the debt was secured by mortgage. It estimated the total amount of debt at 18 times the land revenue. The Famine Commission of 1901 thought it probable that at least four-fifths of the cultivators in this Province were in debt to some extent. Calculations have also been made by various agencies regarding the rural indebtedness of the whole country. The Famine Commission of 1880 surmised that one-third of the land-holding class in India generally was inextricably involved, and that at least another third was in debt, though not to a serious extent. Sir E. Maclagan¹ estimated the total debt of this country in 1911 at Rs. 300 crores, and fifteen years later, Mr. Darling² put the figure at Rs. 600 crores.

¹*Agricultural Indebtedness in India, 1911.*

²*The Punjab Peasant in Prosperity and Debt.*



**MAP SHOWING DIVISION
OF THE PROVINCE
INTO GROUPS
for
Ascertaining Volume of Indebtedness.**



The problem of agricultural indebtedness is not a new one, nor is it confined to this country. In fact, in almost every country in the world, particularly where peasant proprietorship prevailed, the agriculturist, in the past, found it necessary to borrow as he does now. It is true that in a self-sufficing village organisation, the need for borrowing was not as great as it is at present, but there was some need for it even then. Thus the money-lender has existed for centuries and has formed an integral part of the village economy. With the introduction of the new system of administration and judicial procedure under British Rule, which we refer to elsewhere, the agriculturist's credit increased and with it his indebtedness and complaints about the pressure of debt were heard even as early as the middle of the last century. We thus find Captain G. Wingate, Revenue Survey Commissioner, complaining in 1852 that all grades of people were falling under the curse of debt and that unless things altered, the greater part of the property of the community would be transferred to a small moneyed class and the bulk of the population impoverished.

46. In Chapter II, we have divided the Province into five more or less natural regions. For the purpose of ascertaining the volume of indebtedness, however, we found it necessary to group different parts of the Province into ten tracts, on the basis of similarity in (1) soil, (2) rainfall, (3) crops and (4) agricultural and business efficiency.

Thus Gujerat is divided into two tracts—North Gujerat and South Gujerat—the dividing line being the river Narbada. Unlike North Gujerat, South Gujerat is immune from famine and has also, on the whole, a superior soil. The two districts of Khandesh, which have been described in Chapter II as a sub-region of the Maharashtra, together with the contiguous cotton growing *talukas* of Malegaon and Nandgaon of the Nasik district, have been taken as a separate tract. The rest of the Maharashtra, and the whole of the Karnatak, except the districts of Sholapur and Bijapur, have been divided into three sub-tracts. The hilly portion with a poor soil but an assured rainfall is grouped with the Konkan where conditions are similar. The strip of land within about forty miles to the east of the Sahyadri constitutes a transition between the regions further east and the Konkan, and is treated as a separate tract. Here the soil and cultivation are superior to those of the Konkan tract and the rainfall, though not so plentiful and certain as in the latter, is not precarious. The large areas including the Sholapur and Bijapur districts to the east of the transition tract form a distinct tract with a highly uncertain rainfall. A part of this tract grows cotton. The area is, therefore, divided into (1) Famine tract (non-cotton) and (2) Famine tract (cotton growing). The Barsi *taluka*, which is distinctly better than the rest of the Sholapur district, is included in the transition tract. Again, the most important canal areas in the Presidency proper have been formed into a separate group. These are situated in famine districts but grow rich crops which require a large amount of capital. In this group are also included the Bassein

taluka of the Thana district and the Sirsi and Siddapur *talukas* of the Kanara district as all the three grow rich crops requiring considerable finance and as the proportion of the acreage under these crops to the total cropped area is considerable. Lastly, the areas inhabited by the aboriginal tribes have been grouped together in a separate aboriginal tract in spite of some dissimilarity in climatic conditions. The financial needs, the credit position and the economic outlook of the *bhils* of the Panch Mahals district bear greater resemblance to those of the *bhils* of the distant district of West Khandesh than to those of the other agriculturists in the neighbouring *talukas*. As regards Sind, the whole region has been taken as one tract. The map facing page 39 will show at a glance the ten tracts which for the sake of convenience are named as under :—

1. North Gujarat.
2. South Gujarat.
3. Khandesh.
4. Konkan.
5. Transition tract.
6. Famine tract (non-cotton).
7. Famine tract (cotton growing).
8. Canal tract.
9. Aboriginal tract.
10. Sind.

47. The information regarding agricultural indebtedness contained in

MATERIAL USED.

this chapter has been obtained from (1) the reports of intensive economic surveys of the five villages* in the Broach and Dharwar districts conducted by our investigators and the reports and statements prepared after house-to-house inquiries in 53 villages by persons specially entrusted by us with the work, (2) reports for 199 villages received from the officers of the Revenue and Co-operative Departments and others who at our request carried out investigations, some of which are based on house-to-house inquiries and (3) publications regarding inquiries into the economic conditions of eight villages.† For the Presidency proper, the number of families for which information was available from the three sources

* The five villages are situated in different tracts and are more or less representative of those tracts. The following are the names of the villages with the tracts they represent :—

Village.	Tract.
1. Khanpur Deh.	North Gujarat.
2. Sajod.	South Gujarat.
3. Advismapur.	Konkan.
4. Sangur.	Transition tract.
5. Bhadrapur.	Famine tract (cotton growing).

† Land and Labour in a Deccan village by Dr. H. H. Mann, Study No. 1 and Study No. 2. Report of an Economic Survey of Aladar village, Wagra Taluka, by Mr. G. C. Mukhtyar. Life and Labour of a South Gujarat village by Mr. G. C. Mukhtyar. A Social and Economic Survey of a Konkan village by Mr. V. G. Ranade. Report on the investigation of the Economic Condition of the two villages, Pangri and Khedgaon, by Mr. R. W. Patwardhan. Some Village Studies by Messrs. Ghurye and Deshpande.

was 2,501, 7,709, and 1,479, respectively, *i.e.*, 11,689 in all. For Sind, information was available only from the first source for 4,090 families. The information collected by our investigators and by persons specially entrusted with that work and the information contained in the publications mentioned above may be taken as fairly reliable. Other information cannot be considered equally trustworthy for, though gathered from local sources, it is to some extent based on guess work. The material that appeared to us to be unreliable has been left out of account.

48. The tracts mentioned above are treated separately. From the information available we have taken the averages for each group in regard to indebtedness per head, debt per acre and debt as multiple of land assessment and applied these as bases for arriving at the indebtedness of that group. For the Presidency proper, the agricultural population of each tract is multiplied by the average amount of debt per head and that gives a figure of indebtedness for the group concerned. Similarly, the average debt per acre, and the debt-multiple of land assessment are multiplied, respectively, with the total net cropped* area and the total land assessment of the group, and two separate figures of total indebtedness are thus arrived at. Debt per acre and the debt-multiple of land assessment include the debts of those who have no lands. The burden per acre and per rupee of land assessment will, therefore, appear higher as the debts of landless persons also will spread over the acreage and land assessment.

For Sind, the estimate of total debt on the basis of debt per head is made on the same lines as in the Presidency proper. But the debt per acre and the debt-multiple of land assessment are calculated from the debts of landholders only as ascertained through village inquiries. These were used for arriving at two separate estimates of total indebtedness of the landholders of Sind. Again, the average debt per landholder is multiplied by the number of holders for finding out the indebtedness of their total. Further, the average debt per landless person is multiplied by the number of cultivating tenants, unclassified cultivators, farm servants and labourers and their dependants. The resulting figure which represents the indebtedness of landless persons is added to the three separate figures of the debts of landholders obtained by three different methods to arrive at the total indebtedness of Sind.

Except in one or two tracts the estimates arrived at through the methods mentioned above did not show great variations, and for the Province as a whole the variations were inconsiderable. In a majority of tracts, the figures of debt ascertained through the debt-multiple of land assessment were accepted practically without alteration. In

*Net cropped area was preferred to cultivated area as it was found that in some districts the area under crop was much smaller than the cultivated area, *e.g.*, in Ratnagiri, only about 25 per cent. of the cultivated area was under crop. As the villages selected for our inquiries did not show any such disproportion between the two kinds of areas, it was thought safer to take the net cropped area as the basis for generalisation about the volume of debt.

others it was thought proper to make some changes after taking into account factors such as the types of the villages under inquiry, tenure of land, etc. To the figures so arrived at is added a lump sum to cover the debts of certain holders of alienated land who were not included in the village enquiries.

49. The results of these calculations are embodied in the following

TOTAL DEBT. table :—

Tracts	Number of agricultural families ⁽¹⁾	Total debt	Debt per family	Net debt per* acre		Average land assessment per cultivated acre	Debt-multiple* of land assessment
				Net cropped	Cultivated		
			Rs.	Rs.	Rs.	Rs.	
North Gujerat ..	2,20,400	7,50,00,000	340	24	20	1·5	18
South Gujerat ..	77,000	4,25,00,000	551	52	52	3·2	15
Khandesh ..	2,04,200	14,00,00,000	685	42	40	1·6	25
Konkan ..	5,17,000	7,00,00,000	135	23	13	1·1	12
Transition tract ..	2,40,000	6,50,00,000	270	16	13	0·9	14
Famine Tract (non-cotton tract) ..	2,20,000	5,40,00,000	245	8	6	0·5	12
Famine tract (cotton growing)	1,40,000	6,00,00,000	428	16	13	0·6	22
Canal tract ..	1,10,000	5,25,00,000	477	35	29	1·4	21
Aboriginal tract ..	72,000	2,50,00,000	347	24	18	0·9	20
Presidency proper ..	18,00,600	58,40,00,000	324	21	17	1	17
Sind ..	6,55,800	17,00,00,000	259	42	19	1·2	16
Presidency including Sind ..	24,56,400	75,40,00,000	306	24	18	1·1	16
Debts of persons with alienated land revenue, not otherwise taken into account ..	....	5,60,00,000	..	..	..	..	..
Whole Province inclusive of all tracts and debts..	24,56,400	81,00,00,000	329	26	20	1·3†	15†

The total agricultural debt of the whole Province thus works out at Rs. 81,00,00,000. We repeat, however, that although great care was taken in arriving at the estimates, the conclusion is based on generalisations and can have no pretension to absolute accuracy.

50. The debt works out at fifteen times the total land assessment, and at Rs. 26 and Rs. 20 per net cropped acre and cultivated acre, respectively. The average debt per family comes to Rs. 329. The total debt forms about 53 per

*These are worked out from the figures of total debt which includes the debts of landless as well as landholding persons.

† These figures are based on land revenue including alienated land revenue.

(1) A family is taken to consist of five members.

cent. of the average value of the total agricultural produce of the Province and is nearly two and a half times the annual cash requirements for agricultural operations. The total indebtedness of Sind bears a lower proportion to its annual financial agricultural requirements. This is due to the fact that the average Sind agriculturist depends more on the money-lender for his current agricultural needs than does his confrere in the Presidency proper.

Khandesh has the largest burden of debt per family, South Gujerat stands second, and the canal tracts third. The figure for the canal tract is somewhat lower than would ordinarily be expected, but it is to be remembered that, in such a tract, the acreage under canal irrigated crops, especially rich crops like sugar cane, forms only a small proportion of the total cropped area in the tract. The number of families growing those crops is also small, compared with the total number of families in the tract. Sind, which is supposed to be heavily indebted, shows an average of Rs. 259 which is lower than that of any other tract except the Konkan. This appears to be due to the fact that the proportion of landless to landholding persons is larger in Sind than in any other tract and the average debt of the landless community is lower than that of the landholders. The Konkan stands at the bottom with the average of Rs. 135, probably because the income of the agriculturist is supplemented by earnings outside and because the financial requirements for carrying on agricultural operations are small.

The indebtedness per net cropped acre is heaviest in South Gujerat the amount being Rs. 52. Khandesh and Sind stand next with Rs. 42. The lowest average per acre is found in the Famine tract (non-cotton) with Rs. 8 only. The Konkan, Transition and Famine (cotton growing) tracts have an average of Rs. 13 and stand above the famine tract (non-cotton). We may, however, point out that higher indebtedness per acre does not necessarily mean a correspondingly heavier burden. An acre of good land may require large capital and yield good income whereas an acre of inferior land may require less capital and yield less. From the point of view of assets also, an acre of land denotes different values at different places. An acre of land in South Gujerat may bear a burden of Rs. 52 with greater ease than would an acre of land in the Eastern Mahals that of Rs. 24.

51. Turning now to the question of the debt-multiple of land assessment, we may observe that it would indicate the capacity to bear the burden of debt better than any other test. From this point of view, Khandesh takes the first place with a debt-multiple of 25 followed by the famine (cotton growing), canal and aboriginal tracts with 22, 21 and 20, respectively. These figures go to show that cotton-growing areas in the Deccan and the Karnatak have debts even heavier than the canal areas. It has to be remembered, however, that if only irrigated lands were taken into consideration the debt-multiple would be much higher in the canal areas. Besides, for canal lands the debt-multiple of mere land assessment would not reveal the correct position. The irrigation charges paid by the agriculturist will also have to be taken into account. For the

DEBT-MULTIPLE OF
LAND ASSESSMENT.

villages where such enquiries were made, the debt-multiple of both land assessment and irrigation dues came to 8 only. It is not suggested, however, that this debt-multiple would mean the same thing as a corresponding debt-multiple of land assessment in the case of ordinary lands.

The debt-multiple for the aboriginal tract is fairly high. Our inquiries showed that this multiple was much higher in the case of villages where the old tenure was prevalent. In several cases the multiple went beyond 100, indicating that the backward *bhil* or *marchi* would borrow up to the maximum limit of his credit. In villages where the land was held on the restricted tenure, indebtedness was naturally much less.

For Sind, the debt-multiple is 16, but if the debts of landless persons are excluded, the multiple works out at 10 only.

Our intensive surveys and other enquiries show certain other tendencies also. The coastal tract of the Broach district—and this is probably true of the rest of Gujerat—is more heavily indebted and involved than the inland tract. The following table indicates the difference :—

Tract	Amount per head	Amount per acre	Multiple of land assessment	Percentage of debt to the value of total annual produce	Percentage of families free from debt
	Rs.	Rs.			
Coastal tract	152	49	18.7	170	12.5
Inland tract	80	29	7.2	63	27.5

52. Our investigator in Dharwar conducted intensive surveys at three villages—one situated in the famine tract (cotton-growing), one in the transition tract, and one in the hilly tract included by us in the Konkan. The tendency regarding distribution disclosed by these surveys is that the volume and incidence of debt falls as one passes from the famine (cotton-growing) to the Konkan tract. This result is in agreement with the results obtained for the whole tract, as will be seen from the following table :—

Debt	General results			Intensive surveys		
	Famine tract (cotton growing)	Transitional tract	Konkan tract	Famine tract (cotton growing)	Transitional tract	Konkan tract
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Average debt per family ..	350	200	155	500	225	115
Debt-multiple of land assessment ..	20	15	12	23	16	7

In the Sukkur district of Sind, the three *talukas* of Mirpur Mathelo, Ubauro and Rohri, parts of which consist of hills of wind blown sand, have heavier debt and are more heavily involved than the rest of the district. The following comparative figures will make this clear :—

Sukkur District.

Areas	Amount per head	Amount per acre	Debt- multiple of land assess- ment	Amount per land- holder
	Rs.	Rs.	Rs.	Rs.
Mirpur Mathelo, Ubauro and Rohri <i>talukas</i>	61	64	21	520
Rest of the Sukkur district ..	43	27	6	284

53. It may be remarked that the debt-multiple of land assessment does not give a correct idea of the incidence of debt in the case of the small holder. The incidence of debt in that case can be best judged not through the relation of debt to the value of assets, but through the relation of debt to net income. In the Presidency proper, land actually cultivated by the small holder is, as a rule, larger than the holding owned by him. The net income of the small holder may, therefore, be higher than what is indicated by the land assessment he pays. Hence no general comparison between the incidence of debt in the case of the larger landholder, and that of the small holder is attempted. Our inquiries in three villages in the Dharwar district, however, gave the following figures :—

Average debt considered in relation to holders of different sizes and cultivators of different sizes of land.

Name of the village	Size of holding in acres	Average debt per family	Average debt per acre owned	Average debt per cultivat- ed acre	Remarks
		Rs.	Rs.	Rs.	
Advisomapur ..	Over 10*	70·1	3·3	4·3	
Do. ..	10 & under	126·4	23·4	14·8	
Sangur ..	Over 20	735·5	17·7	18·0	
Do. ..	20 & under	176·7	25·9	7·8	
Bhadrapur ..	Over 30*	1,106·6	17·5	17·1	
Do. ..	30 & under*	298·7	27·8	14·1	

*A holding consisting of 10 acres or less, has been taken to be a small holding for Advisomapur. The limit is placed at 20 and 30 for Sangur and Bhadrapur, respectively.

It would appear from these figures that in two out of three cases the agriculturist with a small holding is not more heavily involved than the agriculturist with a larger holding, even if allowance were made for the fact that his income from an acre leased and cultivated by him is smaller than from an acre owned and cultivated by him. On the other hand, the landless cultivator is worse off than the small holder in one village only.

As regards average debt per landholding and per landless family, we find that the figures for Sind are Rs. 570 and Rs. 189, respectively.

54. The percentages of families free from debt to the total are mentioned below for those tracts for which fairly reliable information is available :—

Name of tract			Percentage of families free from debt
North Gujerat	..	..	21
South Gujerat	..	..	23
Konkan	..	..	29
Sind	..	..	13

The percentage for the Konkan is not so reliable as that for the other three tracts. For other tracts the information available is too scanty to be used as a basis for generalisation. The percentages for the five villages which were the subject of intensive surveys are :—

Village			Percentage of families free from debt
Khanpur	..	..	6·2
Sajod	..	..	17·—
Bhadrapur	..	..	33·3
Sangur	..	..	36·5
Advisomapur	..	..	37·8

It may be noted that families with land show a lower percentage of freedom from debt than do those without lands as can be seen from the following statement :—

—	Bhadrapur	Sangur	Advisomapur
Percentage of landholding families free from debt to the total of such families ..	22·6	27·1	34·6
Percentage of landless families free from debt to the total of such families ..	52·4	50·7	35·7

This, however, is not true of Sind, where the percentage of landless families free from debt to the total of such families is a little less than 10 as against the general percentage of 13, which is the percentage of families

free from debt to all families. This indicates a higher percentage than 13 for landholding families. Landless families raise the general percentage of families free from debt for the Presidency proper and lower it for Sind.

55. *Causes of Indebtedness.*—Rural indebtedness forms a melancholy feature of the general economic condition of the agricultural population. The pressure of population on the land and the uneconomic size of the unit of cultivation have rendered the financial position of the cultivator very unsatisfactory. The small and scattered holdings, which do not give him full occupation throughout the year, and the lack of subsidiary industries from which he might be expected to supplement his income, compel him often to borrow to make both ends meet. The difficulties are enhanced by the vagaries of the monsoon which hit him hard, especially in tracts liable to famine where on an average only one out of three years is good. Apart from the expenditure on ceremonials, bad seasons constitute the most important factor that compels the agriculturist to borrow. The prevailing lack of education and the fatalistic attitude of mind make people indifferent to debt. Indebtedness is regarded as inevitable and little attempt is made to get rid of it. Amongst the large landholders a big debt is as often regarded as a sign of prosperity as of adversity, and so long as the landlord is well-nourished, well-clothed and well-housed and has as many cattle and servants as he wants and enough ready money for a wedding or a feast, indebtedness causes him no anxiety. The money-lender is only too pleased to advance him money, so long as there is adequate security, to extract as much from him as he can, taking advantage of his unbusinesslike habits. Many of the debts are generally old and grow at compound interest and fresh advances go on accumulating, rendering the account exceedingly complicated. It is different with the small agriculturist. His requirements are comparatively small. He does not and cannot borrow large amounts as the security that he can offer is poor. He can borrow only at high rates of interest and if once he happens to borrow in excess of his limited repaying capacity, or if some unforeseen circumstances prevent him from repaying his debt in time, his liability swells to an alarming extent. Once embarrassed, heavy and cumulative interest charges make it very difficult for him to extricate himself.

56. Ancestral debts generally form a large part of the cultivator's liabilities. These are handed down from father to son. Even when this debt is overwhelming, the agriculturist rarely thinks of repudiating it, though strictly under the law he may not be liable for it and has the power to declare himself insolvent. This disinclination to repudiate ancestral debt is due chiefly to the agriculturist's sense of honour, but partly also to the fear that such repudiation might lead the *sowcar* to refuse any further advances to him.

57. The cultivator is generally frugal. Often, his apparent improvidence is born of sheer necessity and does not consist in extravagant expenditure or misapplication of income; it is rather the short-sighted imprudence of a man ready to relieve present necessity by discounting future income on any terms. His extravagance is limited to an occasional marriage or festival. Such expenditure, though incurred only once or twice in several years, is so heavy that it often cripples him for life. Social custom rather than his personal inclination is responsible for such expenditure. His chief fault lies in not laying by in a good year what is necessary to meet the visitation of a bad season. His unbusinesslike habits and his mixing up of loans for productive and unproductive purposes are other drawbacks. The increased values of land have expanded his credit and debt always follows credit. With increase in credit the debt of the cultivator has a tendency to increase.

58. Another cause is the partial withdrawal of the better class of money-lenders from the rural areas which are now financed to a large extent by the class of small *sowcars* who are generally the more unscrupulous. In the absence of suitable avenues for employment, a growing number of people resort to money-lending and become middlemen. The goodwill of the *ryots* is no longer necessary for the prosperity of the money-lender. Mutual confidence and mutual trust have given way to mutual distrust and dislike. It is no longer necessary for the money-lender to depend on the good faith or honesty of the farmer. He has the ever-ready expedient of a suit at law.

59. Purchase or lease of land at heavy prices has also been a fruitful source of the agriculturist's indebtedness. The temporary inflation of credit with the corresponding rise in prices during and after the War put some money in the pockets of agriculturists. This led them to invest in land on the basis of the then prevailing prices. When there was a slump in prices and credit was contracted, purchasers or lessors of land found that even the whole of the income from land was not enough to pay the interest on borrowed money or to yield more than a small return on the capital invested. The high prices also led to a temporary increase in the cost of cultivation and to a rise in the standard of living. With the fall in prices, there has been no corresponding decrease in either of these, so that while expenditure has permanently increased, income has diminished.

These are the general causes for the debt for the Province as a whole, but, as may be expected, they are not equally operative in all the districts or even in different tracts of the same district. We give below some information on this subject collected by us during our intensive inquiries in Broach and Dharwar.

For the two villages of Khanpur and Sajod, situated in two distant parts of the Broach district, the volume of indebtedness

and the purposes for which the loans were taken are given in the following statement :—

Objects and Amounts of Debts

Objects of Debt.	Khanpur		Sajod	
	Amount	Percentage to total	Amount	Percentage to total
	Rs.		Rs.	
Repayment of earlier debts ..	28,727	14.3	6,891	4.4
Famine and other distress ; partial failure of crops of 1928-29.	63,780	31.9	41,650	26.8
Agricultural expenses ..	42,433	21.2	33,315	21.4
Purchase of land ..	7,065	3.5	3,249	2.1
Construction of houses and repairs.	29,924	15.0	31,465	20.2
Marriage and other ceremonials	28,110	14.1	39,043	25.1
	2,00,039	100	1,55,613	100

Unfortunately, owing to floods, frost and partial failure of the monsoon, the last two or three years have been abnormal and in consequence the figures under "famine and distress" and also under "construction of houses and repairs" have been very high in both the villages. It will be seen that marriage and other ceremonies are responsible for a large proportion of the borrowings. In Sajod, the expenditure under this head was even higher than that on agricultural needs.

For the three villages in Dharwar the figures are as under :—

Serial No.	Objects of debt	Bhadrapur		Sangur		Advisomapur	
		Amount of debt	Percentage to total	Amount of debt	Percentage to total	Amount of debt	Percentage to total
		Rs.	Rs.	Rs. a.		Rs. a.	
1	Current agricultural needs.	25,840	17.23	6,536 0	18.63	2,119 3	19.8
2	Land improvement and purchase of land.	13,972	9.32	1,334 0	3.8	508 0	4.7
3	Domestic requirements.	15,210	10.1	5,406 8	15.7	1,806 8	17.2
4	Payment of old debt.	30,847	20.32	8,940 0	25.97	799 0	7.6
5	Trade ..	5,515	3.6	2,398 0	7.0	75 8	0.7
6	Marriages and other ceremonials.	25,985	17.1	7,350 0	21.4	4,841 0	45.6
7	Litigation ..	28,075	18.7	1,000 0	2.9	89 0	0.8
8	Miscellaneous ..	6,014	3.63	1,552 0	4.6	370 0	3.6
	Total ..	1,51,458	100.0	34,516 8	100.0	10,608 3	100.0

At Bhadrapur, a village in the black soil tract, a large part of the debt taken for current agricultural purposes remains outstanding on account of its liability to scarcity. This also explains why loans for payment of rent predominate in this village. High rents combined with repeated scarcity conditions are responsible, among other reasons, for the growing indebtedness of the peasantry in this tract. That is why the people in this tract spend less on the maintenance of bullocks, and more on bunding, than in other tracts. Fodder is scarce, and it is necessary to preserve what moisture they can get from the insufficient rainfall. The figure for Bhadrapur includes a large amount under the head "Litigation."

Another interesting point which may be noted concerning both these districts is that the amount shown as ancestral debt is comparatively small. This is mainly due to the fact that such debts are very often renewed by execution of fresh bonds and are then included in current debts, and partly to the fact that they are sometimes classified according to the purposes for which they were originally taken, and are shown under different heads.

The information collected from agriculturists regarding the objects of their debts should be accepted with caution. In the first place, the average agriculturist is indifferent about the different purposes for which he borrows and hardly ever remembers details about his borrowings accurately. Secondly, he has almost invariably a running account with the *sowcar* wherein his repayments go towards the discharge of the oldest debt and fresh loans appear as outstanding, whatever the objects for which the debts may have been incurred. For instance, let us assume that an agriculturist borrows Rs. 300 for a wedding. Later, he borrows Rs. 150 for seed or manure. At the harvest time he obtains Rs. 410 as sale proceeds of his crops. He pays the whole amount to his *sowcar* who credits Rs. 108 towards interest and the rest towards the repayment of the first loan. The outstanding of Rs. 148 would then appear to be a debt on account of seed and manure and not on account of marriage although it is the burden on account of marriage under which he is still groaning.

60. *Effects of Indebtedness.*—One of the natural effects of indebtedness would be the transfer of land from

TRANSFER OF LAND
TO NON-AGRICULTUR-
ISTS.

agriculturists to non-agriculturists. Information about such transfers is collected by the Revenue Department every five years and is embodied in the following statement, which shows the area held by agriculturists and non-agriculturists in each of the five divisions for the years 1917, 1922 and 1927.

STATEMENT II.

Quinquennial Statement of Holdings in Government Area for the Revenue years ending 31st July 1917, 1922, 1927.

Division	Year	Agriculturists			Non-Agriculturists		
		No. of Persons	Area held		No. of Persons	Area held	
			Khalsa Acres	Inam Acres		Khalsa Acres	Inam Acres
Northern Division.	1917	403,840	2,473,188	571,170	78,887	720,369	336,825
	1922	424,007	2,417,484	549,108	79,900	796,497	372,756
	1927	420,974	2,350,162	545,141	86,638	890,846	362,042
Central Division.	1917	836,561	11,727,436	1,188,337	77,248	1,574,583	242,946
	1922	854,779	11,662,165	1,085,053	76,408	1,511,089	251,237
	1927	915,319	11,654,366	1,093,429	87,463	1,573,496	231,088
Southern Division.	1917	556,805	5,909,544	1,783,823	29,330	312,280	31,624
	1922	566,797	5,931,840	1,834,136	30,235	335,303	50,402
	1927	593,010	5,799,007	1,851,942	31,496	313,086	36,189
Bombay Suburban Division	1917			<i>Not in existence.</i>			
	1922	2,867	6,803	23	2,530	11,815	18
	1927	2,302	5,304	9	1,680	10,328	15
Sind	1917	166,098	6,303,141	553,356	30,276	846,311	610
	1922	175,125	6,207,011	586,542	33,106	874,008	82
	1927	188,552	7,287,562	361,889	30,008	801,049	15,947

The information given above is vitiated by one important factor. Until recently, there were no clear instructions as to how the classification was to be made and it was left, more or less, to the village officers to classify the holders as agriculturists or non-agriculturists, according to their own notions. In consequence, several persons were classified as agriculturists who did not really belong to that class. For example, successful money-lenders, who had acquired lands from their debtors, were put down as agriculturists. In the Dekkhan Agriculturists' Relief Act an "agriculturist" is defined as one who derives his income principally from agriculture. The more successful the *sowcar* was in acquiring lands either from his debtors or by purchase, the more entitled he was to be called an agriculturist.

In spite of such defects in classification, we find that in the Northern Division the area held by the agriculturists diminished during the ten years by nearly 1½ lakhs of acres while that held by non-agriculturists increased by nearly two lakhs of acres. In the Central Division while the area held by the agriculturists decreased by nearly 1,20,000 acres, that held by the non-agriculturists decreased by only 12,000 acres. In the Southern Division the area held by both the

agriculturists and non-agriculturists increased during the first quinquennium and decreased during the next, there being a net decrease of 42,000 in the former case, and increase of 5,000 in the latter. In Sind the area held by the agriculturists appears to have increased by 8,00,000 acres and that held by the non-agriculturists decreased by 30,000 acres during the last ten years. Figures for Sind are, however, unreliable as there appear to have been serious mistakes in the classification. It seems that in Sind even money-lenders and retired traders who, after giving up business, derived their income from land acquired by usury or income derived from other sources were classified as agriculturists. Many *banias* and others who appear in the records in 1915 as non-agriculturists were included amongst agriculturists in 1925.

61. Another factor to be borne in mind in considering these figures

AGRICULTURIST
MONEY-LENDER.

is the rise of the agriculturist money-lender. We find that in the Southern Division especially he has begun to play a very important part. Land transferred from an agriculturist debtor to an agriculturist creditor would find no place in the foregoing statement which would not, therefore, reflect correctly the effect of indebtedness on the transfer of land from the debtor to the creditor. These figures, however, indicate a tendency that lands are passing from agriculturists to non-agriculturists, but as they are not quite reliable it would not be safe to draw any definite conclusion from them.

62. Two instances may be quoted to show that lands have actually

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passed into the hands of non-agriculturists. In his economic survey of a Konkan village Mr. V. G. Ranade found that out of 192 acres of the cultivable land in the village that once belonged to the old inhabitants of the village as much as 111 acres had been transferred to absentee landlords. The cultivating farmers at the time of the inquiry held only 78 acres of land and out of these, 64 were already mortgaged. This tendency is naturally more pronounced in backward tracts. From the inquiries carried out at our request by the District Deputy Collector, W. D., West Khandesh, in two *marvchi* villages it was found that in one village out of the 260 survey numbers which were in possession of *marvchis* in 1904, all except 137 had passed into the hands of *sowcars* and as holders of these 137 survey numbers were also in debt, most of the remaining land was likely to be transferred to *sowcars* during the next few years. In another village out of 201 survey numbers 34 were on the old tenure and 172 on the new tenure. Out of the 34 survey numbers 23 have, since 1911, already been transferred to *sowcars* and the owners of the remaining 11 are heavily involved and will in all probability lose these lands before long. The 172 survey numbers held on the new tenure remain with the *marvchis*.

63. Debt itself is not always an evil, but it can only be justified in

UNPRODUCTIVE
PURPOSE OF DEBT.

the light of the purpose for which it is used. Most of the debts of agriculturists in the Province are for unproductive purposes. Debts incurred for

productive purposes, such as seed, bullocks and manure turn out to be unproductive when seasons fail. Such debts form a considerable part of the total debts, especially in the famine zones. When loans are taken for land improvement, the general results might be profitable to the cultivator, but most of the loans in this province are not for productive purposes and being either ancestral or cumulative or for unproductive purposes, the debt of the agriculturist goes on increasing and, as a result, reduces the incentive to work. It is not that the agriculturist repays too little; he often repays too much. It is the high rate of interest, and the malpractices which are followed by the money-lenders that tend to perpetuate his state of indebtedness. Compound interest and bad years increase the debt and the general standard of living and efficiency are lowered when the debt gets heavy. It is natural that when a large part of the produce goes to the creditor in the shape of interest, the debtor has no incentive to improve his land or his general condition in life.

64. *Sources of Loans.*—The most important source of loans at present is the money-lender; firstly, the petty

(i) **MONEY-LENDER.** money-lender of the village; secondly, the rich banker or trader of the town and thirdly, the agriculturist who has been able to lay by some capital out of which he makes small advances to his neighbours. The village money-lender, who often combines petty trade with his money-lending business, plays the most important part at present. He advances grain for seed or subsistence and money upon pledge, mortgage or other good security. The rich banker or trader of the town finances agriculture generally by lending to the better class of agriculturists and sometimes to others also. The agriculturist money-lender has been rising in importance in recent years and is already assuming a more prominent position in village finance in certain districts, *e.g.*, Dharwar. Though often grasping, he is easy in his dealings with his brother agriculturist and is under the influence of public opinion in the village.

65. The next important agency is the co-operative society. The

(ii) **CO-OPERATIVE SOCIETY.** part played by this agency will be described in Chapter XI.

66. Friends and relatives play an important rôle in some areas,

(iii) **OTHER AGENCIES.** as indicated by the report of our inquiries in Dharwar. The percentage of finance provided by them in the three villages of the Dharwar district varied from 15 to 18. Another agency is Government whose advances except in times of scarcity or distress are comparatively small. At present the percentage for North Gujarat is 10. The large percentage in this tract is due mainly to floods and bad seasons. The landlord is an important figure in the villages inquired into by us in Sind. Very often he lends only his credit and not his cash. He stands surety for loans made by money-lenders or co-operative societies to his tenants.

The percentage of finance provided by different agencies in the five villages investigated by our investigators are given in the following table:—

Sources of debt	Percentage of amount of debt to the total					Re- marks
	Bhadra- pur	Sangur	Adviso- mapur	Khan- pur	Sajed	
Agriculturists ..	26·7	27·9	46·9	..	..
Relatives and friends.	16·7	18·6	15·0	..	..
Landlords (rents due).	1·8	..	2·3	..	..
Landlords and local <i>sowcars</i>.	..	..	..	24·3	35·7	
<i>Dalals</i> of agricultural produce.	4·8	3·3	..	..	..
<i>Sowcars</i> ..	28·3	11·6	21·7	37·4	42·9	
Wage earners ..	·7	3·7	4·3	..	..
Traders ..	8·3	5·5	3·9	14·7	12	
Joint stock bank ..	..	0·5	..	..	..
Imperial Bank ..	0·2	..	..	..	..
Government (<i>Tagavi</i>).	0·5	..	..	8·7	..	
Co-operative credit society.	9·3	27·9	..	14·9	9·4	
Miscellaneous ..	2·6	1	5·9	..	..
Total ..	100	100	100	100	100	

67. Except those given by the co-operative societies there are hardly any organized credit facilities available at present for discharging old debts. When the season is good and the price is favourable, the cultivator tries to repay out of his profits; otherwise, if the *sowcar* presses for payment, he has to resort either to a new money-lender or to a co-operative society, if he is a member of it. The village co-operative societies advance loans ordinarily up to Rs. 750 to their members for redemption of their debts, but the limit can be enhanced with the sanction of the Registrar. Some co-operative societies have worked out schemes for redemption of their members' debts and have been advancing loans for this purpose from funds borrowed from central banks. It can, however, be said that not much progress has been made by the co-operative movement in this direction. The funds at the disposal of these societies are usually short-term funds and cannot be employed for giving long-term loans for

EXISTING CREDIT
FACILITIES FOR DIS-
CHARGING DEBTS.

redemption of debts. Land mortgage banks have been started in three districts. We describe their organisation in Chapter VI. We may, however, mention here that these organisations have only been very recently started and serve only two districts and one *taluka*.

68. The rate of interest naturally varies from tract to tract and depends upon the credit of the borrower and the security offered. The following, however, may be taken to be the most usual rates charged by *sowcars* in the different tracts:—

RATES OF INTEREST.		Per cent.
1. South Gujerat	.. ..	12
2. Famine Tract, Deccan Karnatak (non-cotton)..		24
3. Canal tract	.. ..	18
4. Khandesh and Nasik	.. ..	18
5. Famine Tract, Karnatak (cotton growing)	..	18
6. Famine Tract, Deccan and Karnatak	..	18
7. Aboriginal tract	.. ..	24
8. North Gujerat	.. ..	12
9. Konkan	.. ..	18
10. Sind	.. ..	36

The rates of interest mentioned in the table are for loans on personal security, and represent those most usually charged. In practice, there is a wide divergence in individual cases in the same tract. To take an instance, North Gujerat would show numerous agriculturists in parts where agricultural conditions are unstable, paying a rate of 18 or 24 per cent. On the other hand, it can show many substantial *Patidar* agriculturists in the Kaira district, obtaining finance at very low rates.

Co-operative societies usually charge $10\frac{1}{2}$ per cent., but in some places the rate is $9\frac{3}{4}$, while in others, especially in the famine and aboriginal tracts, the most common rate is $12\frac{1}{2}$ per cent. Landlords who, however, do not play an important part usually charge 9 per cent. in Gujerat, Khandesh and Nasik, 12 per cent. in the Konkan and 24 per cent. in the famine tracts.

In the Presidency proper, it is the non-cotton and the aboriginal tracts that have to pay the heaviest rates, the first because of the uncertainty regarding their capacity to repay loans at harvest times, and the second because they are backward, careless about expenditure, unfamiliar with business matters and largely dependent on the *sowcar*. Sind rates are the heaviest of all and indicate the backwardness of the average cultivator and the hold of the *sowcar* on him.

The rates charged by commission agents and gin owners are generally lower than those prevailing in this locality as one of the conditions of the advance is that the produce is to be brought to them for sale.

The following statement showing the prevailing rates in the three different tracts of the Dharwar district will be found interesting :—

Rate of Interest on loans	Villages having co-operative credit societies		
	Famine tract (cotton growing)	Transition tract	Konkan
	Bhadrapur	Sangur	Advi Soma-pur
Total debt	1,51,458	34,516 8	10,608 3
Total amount of interest that annually accrues	20,493	4,407 0	2,127 0
Average rate of interest on the whole debt ..	13·53	12·77	20·05

Inquiries in this district show that many of the loans taken from friends and relatives are free of interest. This fact affects the figure of the average rate of interest mentioned in the statement. These loans are generally given to help the borrower to perform a marriage ceremony or to free himself from old debt. Villages with co-operative societies have usually a lower rate than those without it. Loans from *sowcars*, carrying a rate of interest lower than $12\frac{1}{2}$, are given only on mortgage security.

69. It is the general impression that most of the loans given to agriculturists are now-a-days advanced on the security of property. The following statement showing the percentage of secured debt to the total would go to show that this is not really the case.

District	Percentage of secured debts to the total
South Gujerat	27·7
Famine Tract, Deccan and Karnatak (non-cotton) ..	35
Khandesh	35
Famine Tract, Karnatak (cotton growing) ..	36·5
Transition, Deccan and Karnatak ..	28·1
North Gujerat	29
Konkan	32·2
Sind	27·3

The comparatively low figures of percentages are explained by the fact that small loans are almost invariably given on personal security, and in the case of some of the larger loans, sale instead of mortgage is insisted on by the creditors. In the preceding table the

total debts, in relation to which percentages of secured debt are worked out, include the debts of landless persons. Were only the debts of landholding persons taken into account, the percentages would show a rise of 5 to 7. As they are, the percentages vary from 27·7 in South Gujarat to 36·5 in the cotton growing famine tract. On the whole the famine tracts and the Khandesh show a higher percentage than the other tracts for which information is available. The percentage for Sind is 27·6 if all the debts are considered and 43 if the total debts of landholding persons only are taken into account.

70. When money-lenders are also shop-keepers and commission agents, they often make it a condition that the SALE OF PRODUCE THROUGH MONEY-LENDER. agriculturists' produce must be sold through them. This is true especially in the case of commission agents, whose main object in financing agriculturists is to expand their own business by sale of produce. However, as we point out in Chapter VII, except in Sind, East Khandesh and the aboriginal tracts, the fact of a cultivator's indebtedness does not usually come in the way of his freedom to dispose of the produce in the manner he thinks best.

71. The average agriculturist has, as we have seen above, to pass GENERAL. through life, often with a heavy debt hanging over his head. This is especially the case in tracts liable to scarcity. It is not, however, so much the amount of the debt, as the unproductive nature of the use of the loan and the heavy rates of interest it carries, that seriously affect the agriculturist's financial position. Attempts at wholesale redemption of debt by co-operative societies have not always proved successful, and it has been found that some of the persons relieved have again fallen into debt. Improvement in the general economic position of the cultivator and a change in his outlook are necessary, if attempts at redemption of debts are to be made with measurable chances of success. If these conditions are fulfilled, co-operation would be of great use in saving the people from debt. As the Royal Commission on Agriculture says "the greatest hope of the salvation of the rural classes from their crushing burden of debt rests in the growth and spread of a healthy and well-organised co-operative movement based on the careful education and systematic training of the villagers themselves." We indicate in Chapter VI the importance of land improvement and intensive agriculture for increasing the repaying capacity of the agriculturist without which it will be very difficult for him to extricate himself from debt.

Attempts are now being made to provide credit for the liquidation of old debts by the establishment of land mortgage banks. These, if properly conducted, should go a long way in solving the problem. In all schemes of debt redemption, however, it is essential, that a very careful inquiry should be made into the character of the borrower and his income and ability to repay, and instalments should be fixed in such a way as to enable him to make repayment out of his surplus income. It would, of course, be better for the agriculturist debtor, in many cases,

to dispose of part of his land and free himself at once from debt, rather than to incur fresh debt to repay an old debt. If any debt redemption scheme is to be successful, arrangements must be made for providing sufficient current finance both in good and in bad years, so that the borrower may not again be driven to take loans from *sowcars* for this purpose.

CHAPTER V.

CREDIT FACILITIES FOR CURRENT AGRICULTURAL NEEDS.

72. Bombay takes a high rank amongst the provinces of India for her industrial and commercial development. Nevertheless, agriculture, as we have seen in chapter II, is still the principal occupation of the districts, the percentage of the population dependent on agriculture being as high as 63·6. In the Presidency proper, peasant proprietorship predominates. In Sind the land is owned by either big *zamindars* or small *zamindars* (*khatedars*), but usually cultivated by *haris*. The agricultural holdings are usually small and fragmented, the average size of a holding in the Presidency proper being 12·5 acres. In Sind it is 38·7 acres. The problem of agricultural credit in the Presidency proper is thus largely a problem of credit for essentially small men, though the large landholder is also in need of improved credit facilities. In Sind the situation is different. There, it is a question of providing credit for the large *zamindar*, the *khatedar* and the *hari*. No banking organisation which does not provide for the needs of the large number of small men subsisting on agriculture can therefore meet the situation.

In every country, organised credit facilities form a characteristic feature of modern commercial and industrial organisation and the degree of development of such facilities is a measure of its economic progress. The agricultural industry needs financing no less than any other industry. As a matter of fact, the predominance of agriculture in national economy makes it all the more necessary to build up the banking organisation of the country so as to secure for the agriculturist ample credit facilities for all his needs. In agriculture a long period elapses before the investment of capital brings a return, and the cultivator needs accommodation during the interval. As has been recognised in other countries, the problem of agricultural credit, differing as it does in several respects from that of industrial and trade credit, requires different treatment. In the unorganised state of economic life in the country, the cultivator stands by himself, and except when he joins a co-operative society, does not receive the benefits which associated effort confers on other organised trades and industries. The general savings of the community have, therefore, remained inaccessible to him on easy terms. The importance of credit facilities to the agriculturist so as to secure the provision of capital at a reasonable rate of interest cannot be exaggerated. In western countries, though provision of working capital is of prime importance, the provision of fixed capital also receives attention. In this Province, however, with its large numbers of small and fragmented holdings, yielding a very slender income, land improvement and the capital needed for it have hardly claimed attention, and capital is requisitioned mainly to meet the current needs

of agriculture and for expenditure on various social obligations, such as those connected with weddings and funerals.

DIFFERENT KINDS OF CREDIT REQUIRED: 73. Agricultural credit falls under three heads :—

- (1) *Short-term* credit, for the purchase of seed, manure, implements and for meeting the cost of labour,
- (2) *Intermediate* credit, for the purchase of cattle and expensive implements, and
- (3) *Long-term* credit for purchase of land, land improvement and debt redemption.

In this chapter we propose to deal with the first two types of credit—short-term and intermediate. In some countries, there are separate institutions for these two types ; in this Province, however, the agencies supplying short-term credit also undertake the provision of intermediate credit. In the present stage of agricultural progress and with the very high degree of illiteracy prevailing among the rural population, it would be unwise, in our opinion, to make separate provision for a system of intermediate credit.

74. Before we proceed to discuss the existing credit facilities we should like to emphasise the large number of borrowers involved. Though generalisations are not possible with any approach to accuracy, our own inquiries and the inquiries of the Indian Central Cotton Committee provide a basis for an estimate of the percentages of borrowers to the total number of cultivators in the various regions of the Province, which are as follows :—

NUMBER OF BORROWERS.	
*North Gujerat	.. 71
*Middle Gujerat	.. 82
*Khandesh	.. 71
*Sind	.. 94
Dharwar (Mallad Tract)	.. 70
Dharwar (Transition Tract)	.. 80
Dharwar (Black Soil Tract)	.. 80
Broach	.. 66

The figures show that a very large number of cultivators, even in rich tracts, cannot do without credit during the cultivation season, and that in Sind almost every agriculturist has to borrow to enable him to carry on his work. However, the average agriculturist in this Province, except when he is a grower of commercial crops, works not for profit but for subsistence and has, therefore, naturally little or no margin of savings even in normal years, and his condition in years of drought, in consequence, becomes serious. The importance of providing adequate

* Taken from the report of the Indian Central Cotton Committee.

credit facilities at reasonable rates of interest thus becomes all the greater.

75. The purposes for which the agriculturist requires short-term credit are many and various. He has to borrow for the purchase of seed, implements, manure and cattle; he has to borrow to enable him to engage labour for weeding and for harvesting, sometimes for payment of land revenue; and generally, he needs financial accommodation to maintain himself and family before the crops are harvested and sold. He further borrows for periodical expenditure on weddings and other ceremonials. He makes no distinction between expenditure for productive and unproductive purposes, and resorts to borrowing as and when necessary, whether the purpose is a productive one such as the purchase of agricultural requisites or an unproductive one such as a caste dinner on the occasion of his son's marriage or his father's death. He scarcely feels the need for short-term credit for the disposal of his produce.

We have been told in evidence by experienced agricultural officers that, in dry tracts, not much of outside capital is required to finance the current needs of the agriculturist. The agriculturist keeps a sufficient quantity of his produce to serve for seed for the following year and has no need to purchase it, except when he has been obliged to part with his food crops or to sell them to meet his liabilities or when he sells his money crops, such as cotton in seed. Even when he has to borrow for seed, the loan is usually taken in kind, the interest varying from 25 to 50 per cent. Capital on a large scale is not necessary for the purchase of implements since these are simple and of a primitive type, and the average annual expenditure in this connection is small. Labour is generally provided by members of the family and additional labour, when employed, is partly paid in kind. In some districts, *e.g.*, in Khandesh, however, the larger cultivators have to depend mostly on hired labour. The labourers, who are known as *saldars*, are hired for the year and they insist upon being paid in advance. In such cases, therefore, labour charges figure prominently on the expenditure side and form one of the chief causes of borrowing. Rent and land revenue are usually paid after the crop is ready. The loans for household purposes are also received usually in kind. Large amounts are not ordinarily required to finance the current needs of agriculture in the dry tracts; but in times of emergency such as that caused by an unfavourable season, large amounts are temporarily required. The varied and fluctuating character of the current needs of the agriculturist is, therefore, a special feature of the general problem of agricultural finance, which adds much to the difficulties of its solution. The case of irrigated lands, particularly those under canal irrigation, is different, inasmuch as there is a continuous demand for large amounts for manure and other cultivation expenses. The sugar-cane growers on the Nira canal, for example, require, it is estimated, Rs. 600 to Rs. 700 per acre, and a much larger amount is necessary for the growers of betel leaves.

76. To arrive at a proper estimate of the finance required for current agricultural needs in this Province, it is necessary, in our opinion, to distinguish between the cost of cultivation and the cash requirements of the agriculturists. Reliable data for the average cost of cultivation, where every item is duly accounted for, can be obtained from the Agricultural Department. We are, however, concerned with the cost of cultivation only to find out those requirements of the cultivator for which he needs cash or credit. A large portion of the area in the Presidency is being cultivated by small peasant proprietors, who themselves work on the fields and utilise the labour of the members of their families. They also generally try to set apart a portion of their produce as seed and, as far as possible, use their own stock of manure. Allowance has, therefore, to be made for all these items in the cost of cultivation. We have tried to find out, in as many districts as possible, the cash required by the average cultivator per acre for each important crop and tried to deduce therefrom the total cash requirements of the districts and the Province. It may be noted that even after making all possible allowances for payments in kind, for the cultivators' own capital and for labour supplied by themselves and family, we can arrive only at a rough estimate of the finance required for the current needs of agriculture. According to our calculations the total requirements come to about Rs. 32½ crores for the Province. Details are given in the following statement :—

	Presidency	Sind
	Rs.	Rs.
1. Ordinary items of cultivation such as seed, outside labour, etc. (actually paid for by an average agriculturist).	21,65,00,000	4,32,00,000
2. Manure	50,00,000	*
3. Plough cattle	1,98,00,000	35,00,000
4. Concentrates for plough cattle	1,20,00,000	60,00,000
5. Replacement and repairs of implements including carts.	1,10,00,000	23,00,000
6. Maintenance	1,00,00,000	3,25,00,000
7. Land assessment, irrigation dues and rent ..	60,00,000	45,00,000
	28,03,00,000	9,20,00,000
Deduct 15 per cent. for the Presidency and 5 per cent. for Sind on account of persons who do not require finance.	—4,25,00,000	—46,00,000
	23,78,00,000	8,74,00,000
The whole Province	32,52,00,000	

Our calculations were made difficult by the fact that very few agriculturists, if any, keep accounts and information had to be mainly

* Already included in 1.

gathered from the evidence of officers of the Agricultural Department and from the oral statements of some fairly intelligent agriculturists who appeared before us. In Sind our task was made somewhat easier by the fact that in some parts of that Province, we were able to get particulars concerning the advances made by big *zemindars* to their *haris* for cultivation at a certain fixed rate per acre for each different crop.

77. The main source of credit for the cultivator is the *sowcar*. He is

concerned merely with the safety of his investment and substantial returns on them, but has no direct interest in the welfare of the borrower. The purpose for which the loan is taken is of no importance to him so long as the party to whom the loan is advanced is solvent and in a position to repay. More undesirable than the village *sowcar* is the Pathan money-lender who has little interest in the village and is not amenable to local control.

The *sowcar* advances money to the agriculturists for current needs, agricultural or otherwise, for special needs and to a limited extent for long term needs. His is a personal and, therefore, a very elastic and accommodating system ; the rates of interest charged, the nature of the security and the period of the loan can all be adjusted to the needs of each individual case. He is his own master and he is always at hand to make the necessary advances at any time. There are very few formalities to go through, unless the security is the mortgage of land rendering registration necessary. The rate of interest charged by the *sowcar* varies from tract to tract, but, except in Gujerat, it is seldom less than 12 per cent., while 24 per cent. and even 36 per cent. is not uncommon in the backward tracts. This rate, however, does not give us the true measure of the price the agriculturist has to pay for the loan, inasmuch as the pressing need of the borrower, his ignorance of arithmetic and such other circumstances, all tend indirectly to raise the cost of borrowing. In many places, there is also an initial charge for "purse-loosening," which varies from 6 per cent. to 10 per cent. Interest for a year is often deducted in advance, and is calculated for the whole year even when the loan is taken for a shorter period. Devices such as these increase the burden further. For current agricultural needs the *sowcar* usually accepts personal security on the understanding, express or implied, that the produce is to be sold to or through him. In many cases the security is the mortgage of crops and when the amount is large, or the loan is for a long period, the security asked for is the mortgage of land. Indeed, the methods of finance adopted by the *sowcar* are such that once a person gets into debt it is extremely difficult for him to get out of it.

78. The wealthy agriculturist in the village who invests his savings in money-lending business is more or less in the

THE AGRICULTURIST MONEY-LENDER.

same category as the *sowcar* whom he resembles in some respects. The smaller farmers and even agricultural labourers who have any savings which could not profitably be invested in land, advance loans to their needy brethren on terms

not in any way more favourable than those of the *sowcar*, as revealed by our inquiries in the Dharwar district. The agriculturist money-lenders being more amenable to local opinion and having some kind of fellow feeling for the borrowers are, however, not usually as exacting and extortionate as the professional money-lender. On the other hand, there are several amongst them who have an eye on their debtors' lands and do not rest satisfied until they acquire the lands, sometime by sale with or without the intermediate stage of a mortgage.

79. Co-operative societies are the most important of the beneficial agencies engaged in the finance of agriculture. The role that they play is discussed in Chapter XI.

CO-OPERATIVE SOCIETIES. It may, however, be pointed out here that though their share in financing agriculture in the Province is considerably smaller than that of the *sowcar* and the *quasi-sowcar*, such as the landlord and the wealthy agriculturist, there is no doubt that they perform a most important function. Owing to the identity of interests between a co-operative society and its members its influence is bound to be for their good. Co-operative societies can be a powerful educational force also, generally tending to raise the agriculturist from the slough of despond and to train him up to be a better citizen in every way.

80. Another agency for providing agricultural finance is the landlord. He does not usually advance long term loans, but finances the current needs of his tenants and, whenever possible, their special needs also, such as those caused by the failure of the monsoon or the pressing necessity for payment of land revenue. He is not usually as exacting as the *sowcar*, there being some bond of sympathy between him and the borrower. It is not unusual for him, however, particularly when he receives his rent in kind, to demand that the loan should also be returned in kind, at rates most favourable to himself. The landlord as a money-lender is prominent in the Konkan and in Sind where the *khots* and the big *zemandars* often make the necessary advances to their tenants or arrange that they get the required financial accommodation from the local *sowcars* or the co-operative societies. The Mahomedan landlord in Sind does not, as a rule, directly receive any interest on his loans to the tenants, even though he may have to pay interest himself to the *sowcars*, but he often resorts to the very doubtful expedient of asking for an increased share of produce as rent.

81. Government advance loans for current agricultural purposes under the Agriculturists' Loans Act, 1884. Loans under this Act are given for relieving distress, for purchase of seed, fodder, cattle and for other purposes connected with agriculture and not specified in the Land Improvement Loans Act. The maximum period within which the loans are to be repaid is ordinarily four years.

It was never the intention of Government to compete with other financing agencies and until 1900 the grant of *tagari* was looked upon as somewhat exceptional, to be resorted to in seasons of stress or in

the absence of credit from other sources. In the richer and better cultivated regions of the Province it was rarely sought by the cultivators who found ready credit available from the money-lending classes in the locality. The great famine of 1899-1900, however, caused a change of outlook and from that year, *tagavi* began to be advanced more freely, but it does not seem that any definite policy of agricultural finance was followed until the year 1924 when a new line of action was laid down in regard to the grant of *tagavi* advances. With the growth of the co-operative movement it was considered desirable that the current financial needs of agriculturists should be met by that movement except during periods of scarcity and except in tracts which were specially backward or hampered by restricted tenure or other circumstances justifying concessions. Government arrived at this conclusion specially because the supply of easy credit for the purchase of seed and bullocks in normal times had led to abuses and had merely added to the burden of the agriculturist's debt. It was felt that the co-operative movement was a better agency than Government for ascertaining the requirements of the agriculturist in regard to his current financial needs. So far as the members of co-operative societies are concerned, it is now the policy of Government to give loans to them either through the societies or in consultation with them.

During the period 1900-1927 * the total amount advanced by the Government under the Agriculturists' Loans Act was Rs. 4,86,62,000. The annual average therefore comes to Rs. 18,72,000. An examination of the figures year by year, however, shows that with the exception of the six years mentioned below the total amount advanced during each year was much below this average, the average for these years being only Rs. 9,57,000. The six years for which the figures are above the total average are :—

				In thousands
1900	..	..	..	Rs. 32,24
1901	..	..	..	Rs. 28,44
1905	..	..	..	Rs. 20,43
1911	..	..	..	Rs. 29,13
1918	..	..	..	Rs. 1,26,61
1920	..	..	..	Rs. 58,44

These six years were years of natural calamity such as famine or floods. It would be seen that although the provision of Government finance for agriculture is high in times of famine, flood or similar causes, it is negligible in normal years.

82. There are additional sources from which the agriculturist gets financial accommodation. Merchants, mostly local dealers, extend credit to him by supplying seed, manure and other articles and claiming the price in kind or in cash with

* Figures for later years are not available.

accrued interest at the end of the season. The security in such a case is generally either personal or the crop itself. The *dalal* or the *adatyā* also enters the field and being the intermediary for the marketing of produce, he extends his services to production by financing the agriculturist during the season on the understanding, of course, that the produce is sold to or through him. The terms offered by the *adatyā* are usually easier inasmuch as the process of marketing gives him an opportunity to secure a sufficient profit. In Gujerat, the gin owner often makes advances to cotton growers, on condition that the cotton is brought to his gin either for ginning or for sale.

In Gujerat and in Sind, we find yet another financier for the cultivator in the person of the itinerant cattle dealer. His terms are very hard, but since he is prepared to wait for a year or two and to receive by instalments the price of the cattle supplied, the needy agriculturist welcomes him also.

83. The joint stock banks are not in a position to enter this field, at any rate, directly. Farming is essentially a business, the requirements of which cannot be easily appraised without technical knowledge, which knowledge, the banks do not usually possess. These banks advance loans for periods which are too short for the agricultural industry. The agriculturist is, besides, a small man with but little security to offer besides his land and character for the loan advanced to him and it would not pay the larger joint stock banks to deal in small amounts with a very large number of small men. Their costly management makes it necessary for them to confine themselves principally to big men in the more important centres. However, they could and do finance agriculture indirectly in a variety of ways. The Imperial Bank of India has recently begun, at a few centres, to finance large landholders on their personal security with sureties or on the security of their produce or of gold. The joint stock banks also render similar assistance, though only to a very limited extent, and both give some help to the agriculturist through the co-operative movement by giving cash credits and advances to co-operative banks.

84. One more agency engaged in the finance of agriculture remains to be noticed, which is by no means uncommon and which is in many cases really a very beneficial agency. This is the agency of friends and relatives, who come forward to assist the cultivator in need with small loans on personal security. It is obvious, however, that such transactions are more common among persons of good credit, as it would be difficult to imagine a person with little or no credit having friends or relatives willing to risk what, after all, are their small savings by lending them to one who is not in a position to repay.

85. We have so far noticed the several agencies which provide agricultural credit. We may now examine the terms adopted by them on which loans are generally given by these agencies. Except in the case of Government,

whose rates of interest on *tagavi* loans are fixed for the whole Province and of co-operative societies, whose rates are fixed under their bye-laws, the rates of interest vary considerably according to circumstances. The credit of the borrower, the security that he has to offer, the period for which the loan is required, the degree of pressure under which the borrower is forced to borrow, all these are factors that enter into the determination of the rate of interest in each particular case. The rate of interest charged by the Government, which varies according to the terms on which Government have themselves to borrow, has been 6.75 per cent. since 1927-28. The rates in previous years were as under :—

1919-20	}	$6\frac{1}{2}$ per cent.
1920-21		
1921-22	}	$7\frac{1}{2}$ „
1922-23		
1923-24	}	$8\frac{1}{2}$ „
1924-25		
1925-26	}	7.29 „
1926-27		

In the case of co-operative societies, though there is no uniform rate throughout the Province, there is variation from society to society and region to region. The rate of interest ranges from $1\frac{1}{2}$ pies to 2 pies per rupee per mensem, which works out at $9\frac{3}{4}$ per cent. to $12\frac{1}{2}$ per cent. per annum, the usual rate being $10\frac{5}{6}$ per cent. In famine areas, naturally, the societies charge the highest rates. The rates charged by the money-lenders vary from district to district and range from 12 per cent. to 36 per cent. though in the case of a borrower with very good credit, the rate may go down to less than 12 per cent., as in Gujerat, where a good agriculturist can get an advance even at 6 per cent., while in the same region, people in the backward tract or belonging to backward communities have to pay 36 per cent. or even more. The period of the loan is also an important factor in determining the rate of interest. The *sowcar* charges a higher rate of interest for small loans for short periods, the rate in a sense varying inversely with the amount and period. The following table sets forth the rates of interest charged by the *sowcar* and by co-operative societies in the different regions of the Province :—

Region			Sowcar's rates	Co-operative societies' rates
			Per cent.	Per cent.
Maharashtra (irrigated tracts)	..	..	12 to 24	$10\frac{5}{6}$
Maharashtra (famine tracts)	..	..	$18\frac{3}{4}$ to 36	$12\frac{1}{2}$
Karnatak	..	..	12 to 24	$9\frac{3}{4}$ to $10\frac{5}{6}$
Gujerat	..	..	9 to 18	$9\frac{3}{4}$ to $10\frac{5}{6}$
Khandesh	..	..	12 to 18	$9\frac{3}{4}$ to $10\frac{5}{6}$
Sind	..	..	12 to 36	$10\frac{5}{6}$

The rates charged by the *sowcar* as given in this statement do not include certain deductions which he usually makes before the amount of the loan is actually paid to the borrower, nor do they take into account the deduction of the year's interest in advance. It is interesting to note that the *sowcar* rate is going down as a result of the influence of co-operative organisation wherever this has been well-developed. Where loans for seed are made in kind, the rate usually charged is from 25 to 50 per cent.

86. Government loans are advanced on the security of lands or of sureties, and where the credit of the borrower is limited, the joint bond liability system prevails.

SECURITY.

With the co-operative societies, the system of personal credit is the rule, the loan being secured by an additional surety or two. When, however, the amount of the loan is large or the period longer than a year, the advance is often secured by mortgage of land. The *sowcar* also accepts personal security for loans advanced for current agricultural needs, but mortgage of crops is not uncommon, particularly in the case of the sugar-cane crop. For loans for long periods, he also insists upon the mortgage of land.

87. The period of loan varies with the purpose for which it is taken, the Government and co-operative societies lending amounts for one year for purchase of seed

PERIOD OF LOAN.

and for two to four years for purchase of implements. The *sowcar* is very accommodating in this respect; the assumption always is that the loan is to be repaid at harvest time or at any rate from the sale proceeds of the crop. If there is a partial or total failure of the crops, he readily grants an extension or takes a new bond for a higher amount.

88. One of the grave defects of the present system is the unregulated

DEFECTS OF THE PRESENT SYSTEM.

working of most of the agencies and individuals engaged in agricultural finance. In the absence of co-ordination between these various agencies, stimulus is given to recklessness and extravagance on the part of agriculturists, who can borrow from various sources and keep their creditors more or less satisfied by resorting to the expedient of borrowing from one to repay the other. The chief defects in the *sowcar* system are the unregulated character of the financial dealings, the lack of any sense of social responsibility on the part of the *sowcar*, the almost complete economic dependence of the agriculturists on him and their illiteracy and lack of acquaintance with methods of accounts and legal procedure. The *sowcar* enjoys peculiar advantages of intelligence, status and financial resources, of which he makes the fullest possible use, while the agriculturists have no education at all, much less education in business methods or in the use of credit. Under the old order of things the *sowcar* was in a measure dependent on the goodwill of the local population; there was a healthy communal influence over his dealings; the fear of a social boycott, if not of personal violence, tended to keep in wholesome restraint his desire for personal

aggrandisement at the expense of the community. But with the disruption of the old socio-economic order which followed the introduction of the new system of civil justice, and with the development of rapid means of communications and transport, the local banker is freed considerably from his dependence upon the local population and from the wholesome restraint on the desire for exploitation of the needy agriculturists. The defects of the Government *tagavi* system are the protracted period of inquiry and the leakage to which the grants are at times subject. In the case of co-operative societies, the main difficulties consist in the lack of promptitude in the disposal of loan applications and the frequent inadequacy of the amounts sanctioned.

89. Before formulating suggestions for the improvement of the existing credit facilities for the agriculturists, we
 SUGGESTIONS. would desire to express emphatically our opinion that while there is considerable room for making credit easier than at present, facile credit is no panacea for the ills the agriculturist is suffering from. In fact, we hold that too facile a credit may prove to be a grave danger.

90. The most serious handicap of the agriculturist at present is his illiteracy. The percentage of literacy in the Province
 LITERACY. is only 8.5. It is obvious that in this defect lies the great hindrance to progress and unless it is removed, very little indeed can be done to improve credit facilities for the agriculturist. He cannot keep accounts of the transactions he enters into, and it would be no exaggeration to state that very many of these agriculturists do not know whether they are carrying on their farming operations at a profit or a loss. They cling to agriculture year after year, not because they consider it profitable, but because they have in it their only means of subsistence. Agriculture to them is not a profitable industry, but they adhere to it from year's end to year's end, so long as they can get from it a bare maintenance, with the inevitable result that frost, locusts, scanty or unseasonal rainfall, in fact any departure from the normal conditions, drives them to the village money-lender who is only too willing to accommodate them, so long as they can produce the necessary security. The difference in the intellectual level of the creditor and the debtor also accentuates the difficulties of the situation, places the latter at the mercy of the former and once the debt has been incurred, keeps the debt ever alive, bringing about chronic indebtedness of the peasantry in the Province. We are convinced that it is not the number of credit agencies or the volume of cheap credit available to a farmer but the business knowledge of how judiciously to use his borrowings, that forms the vital factor in the problem of this indebtedness. From this point of view, we are inclined to hold that a sustained attempt at adult education, apart from adult literacy, should be made by social workers, public and local bodies and Government alike. We are aware of the unsatisfactory results of some of the night schools aided by the Department of Education. We attach, nevertheless, so great an importance to this factor for the economic betterment of the farmer, especially in view of the slow progress

of primary education in this Province, that we feel no hesitation in urging renewed co-ordinated efforts at evolving a scheme for the accomplishment of this object. In the Punjab, Co-operative Adult Schools have made considerable progress. We are informed that a nine months' course covering the three R's and general practical knowledge has been devised by the military authorities for the training of illiterate sepoys with success. If a similar short course consisting of the rudiments of arithmetic and the business side of farming is devised and worked under the guidance of the Co-operative Department in villages where there are good co-operative societies, it holds, in our opinion, every promise of success. We further suggest that if honorary workers and school masters in villages undertake such a form of adult education, every encouragement should be afforded to them by the Local Boards and Government by means of grants-in-aid and other facilities such as the free use of school buildings and school apparatus. It is desirable that the Co-operative Department and the Department of Education should make a sustained effort in this direction in all the divisions of the Province.

Unless the borrower is educated and unless he has a proper understanding of the economic value of credit and exercises judgment and prudence in its use, no system of finance will be of any considerable benefit to him. The farmer must know two things about farming, first, what it costs and secondly, what it brings in. It is obvious that unless his knowledge improves in this respect, the mere provision of credit facilities will not help him to any great extent.

91. In discussing any sound scheme for affording improved credit facilities to the agriculturist we are confronted with the fact that unless means can be devised to enhance the intrinsic credit position of the borrowers, the risks involved may be very serious. The surest way of improving this status is to make them realise that collective credit would secure them much better terms and place them in a far stronger position than individual credit, and that they must therefore imbibe the lesson of associated effort. It is for this reason that we strongly endorse the opinion expressed by the Royal Commission on Agriculture that in co-operation lies the salvation of the rural classes in India. Improvement in the economic condition of the agriculturist and in his credit is bound up largely with the development and progress of the co-operative movement in the Province, which therefore deserves as much strengthening as possible. There are, we are aware, defects and difficulties in the co-operative organization; and we shall discuss these in detail and suggest means for their removal in Chapter XI.

92. It must be realised, however, that it will take years before co-operation can achieve a dominant position in the domain of agricultural finance and be the mainstay of the agriculturist. With the heavy handicaps of the agriculturist's ignorance, illiteracy and factious spirit, the progress of the

movement is bound to be slow. In the meantime, the *sowcar* remains the principal figure in the field of rural credit and it is essential to remove as far as possible the difficulties which prevent him from advancing loans at a fair and reasonable rate of interest, including those created by certain laws which place impediments in the way of even the honest *sowcar* in recovering his dues. What these hindrances are, what can be done to remove them, and what alteration or simplification is required in legislation and legal procedure, we discuss in Chapter XII. It is sufficient for the purpose of this chapter to point out that the difficulties created by the present legislation and legal procedure have considerably curtailed the agriculturist's credit, and increased the cost of his borrowing. The basis of credit is psychological. Trust and confidence are of the very essence of credit, and so long as risks in recovery are created by legislation or by legal procedure, and so long as trust and confidence are shaken in consequence, as they have been shaken by the Dekkhan Agriculturists' Relief Act, the *sowcar* is not likely to lower his rates of interest or to offer better conditions and the price the agriculturist has to pay for the loans that he needs must necessarily remain high.

93. As pointed out in paragraph 81 above, the present policy of Government is to give *tagavi* under the Agriculturists' Loans Act only in times of scarcity or distress and ordinarily only in backward or special tracts. Government rely on the development of the co-operative movement for giving the necessary financial facilities to agriculturists. We are of opinion that the present policy followed by Government requires some modification in the light of the remarks made below. Government must assist very backward classes of agriculturists, as these cannot raise loans except at very high rates of interest, and deserve paternal help from Government if they are to survive and improve even gradually. In this case, the *tagavi* system under proper control and supervision has great possibilities. Similarly, there is scope for *tagavi* loans where the cultivator holds his land under a restricted tenure and cannot therefore raise money in the ordinary way and where, in famine times, the ordinary channels of agricultural finance run dry and it is necessary to hearten a discouraged people.

We find that during the last 20 years, the amount of *tagavi* distributed (except in years of famine or distress) was comparatively small. Nor has the progress of the co-operative movement been very rapid. It seems that it will take many years before it can cover most of the ground. There are several areas where the only credit agency is the money-lender. We, therefore, suggest that the *tagavi* policy should be liberalised and that besides the tracts mentioned above, Government should advance loans in places where the co-operative movement has not made much progress. Steps should be taken for the prompt disposal of applications for loans and, as far as possible, for the proper supervision over both the distribution and use of the loans advanced.

94. An important direction in which improvement can be effected would be co-ordination of the work of the various agencies engaged in agricultural finance. At present,

Co-ORDINATION. lack of co-ordination is the conspicuous feature, except in the case of Government and the co-operative societies with respect to the distribution of *tagavi* loans. There is, we think, much greater scope for co-ordination between Government and co-operative societies. Through the postal savings banks in rural areas Government collect fairly large amounts, and we think that at least a part of the funds derived from the rural areas should be made available at cheap rates for the purposes of agricultural finance through co-operative societies. In Germany, the State does release a large part of the deposits received from rural areas in the Government savings banks for making advances to agriculturists, and even in England the Committee that investigated the problems of agricultural credit in 1923 recommended similar action. We see no reason why the Indian Government should not accept this principle and place at the disposal of co-operative banks, including land mortgage banks, in the Province a part of the savings banks deposits at a rate of interest not much higher than that allowed to the depositor, *viz.*, 3 per cent. The Government of India should place at the disposal of the Local Government a part of the money so raised for being advanced to co-operative agricultural or industrial societies or as *tagavi* to individuals. Such a procedure will go a long way to meet the objection that through the savings banks and other operations Government have been draining the districts of the capital which would otherwise be used to finance agriculture and local trade.

There is no co-operation between the *sowcar* and co-operative societies, a fact much to be regretted. It would be to the interests of everybody concerned, the *sowcar*, the society, and the agriculturist, if some kind of co-ordination can be arranged between these two important sources of agricultural credit. We are of opinion that while good and well-intentioned *sowcars* might be welcomed on the managing committees of the co-operative societies, and persuaded to come within the fold of the co-operative movement, the least that should be done otherwise would be to empower the societies to ask for an account of its members' dealings from the *sowcar*, and to give a similar privilege to the *sowcar* to get extracts of his clients' accounts with the societies. There will, however, be no need for such a procedure if a Regulation of Accounts Act is passed as recommended by us in Chapter XII. Greater co-ordination would also be desirable between the co-operative movement and the Imperial and joint stock banks, so that the movement may receive cash credits and other advances from these banks at moderate rates of interest, especially in the slack season, thereby enabling co-operative banks to advance moneys to co-operative societies and these societies to agriculturists at rates lower than at present. This would be an advantage to both parties, to the bigger joint stock banks as the scope for investment of the funds of the banks in the slack season would be enlarged, and to the co-operative movement, by bringing cheaper money within its reach.

So far we have dealt with the problem of agricultural finance in relation to the current needs of agriculture in a general way. We shall now proceed to deal with some special problems of this Province. There are certain tracts which are subject to famine or at least scarcity, pretty frequently, such as the eastern part of Ahmednagar, Satara and Bijapur districts, only one year in three being usually good. There are tracts where the difficulty of uncertain water supply for crops does not exist, but fluctuating prices of *gur* and sugar and deterioration of the soil are causing no small embarrassment, as in the case of the Nira, the Godavari and the Pravara canal tracts. Some parts are regarded as backward tracts, where the agriculturists as a class are illiterate, indebted, and unacquainted with business principles and methods, living usually in very small hamlets and perhaps even in scattered huts, and not used to the handling of cash to any considerable extent and dealing largely in kind with the *sowcar*. These famine, canal and backward tracts deserve special treatment on account of their special conditions.

95. Even in these tracts, the *sowcar* is the most important financing agency, but evidence tendered to us shows that in recent years, the investments of the *sowcar* by way of loans to agriculturists have decreased, since he finds it safer to invest his money elsewhere. The fundamental difficulty in devising any system of credit for agriculturists in famine tracts lies in the uncertainty of the season. Agriculture in the famine tract is but a gamble in rain. The ordinary theory of agricultural credit is based upon the probability of the cultivator repaying the loan out of the sale-proceeds of the crops grown, but, when, on account of famine, the money spent on seed, manure, labour, cattle, etc., does not bring any appreciable return, the whole theory breaks down and when such conditions recur frequently, the position becomes much more difficult. Finance for such agriculture necessarily shares all the disadvantages of gambling. In fact, a wide-spread system of easily obtainable credit for agriculture in such tracts may be like throwing away good money after bad, and instead of curing may well accentuate the disease. Credit alone cannot convert an unprofitable industry into a profitable one; the problem of agricultural finance cannot be dissociated from the general problem of the agricultural economy of these tracts. While it is true that the impecunious or impoverished cultivator in famine tracts finds it difficult to obtain loans at reasonable rates of interest, it has to be recognised that the risk of recovery is great and the price has to be high in consequence. The inquiries made by the Ahmednagar branch of the Bombay Provincial Co-operative Institute in 39 villages of the Newasa *taluka* of that district clearly show the increased indebtedness of the cultivators and the transfer of lands from their hands into those of non-agriculturists. The fact that the Ahmednagar District Central Co-operative Bank only financed to a limited extent its constituent co-operative societies and ultimately ceased to finance them altogether and turned itself into an urban co-operative bank shows the grave risks involved in financing agriculture in the famine tracts of the Presidency.

The whole problem is beset with difficulty. On the one hand unless cheap credit is available, the agriculturist cannot hope to make both ends meet, and on the other, the grave risks involved preclude the possibility of finance being made available on any but exorbitant terms. We think that this is a case in which Government assistance is necessary. It would, indeed, be useless financing people with small and uneconomic holdings, who could not possibly repay; but those who have sufficient land or other sources of income deserve financial help, especially when in distress on the failure of rains. Co-operative societies in these areas have had bitter experiences; their mode of financing and raising the amount necessary for that purpose has been found to be unsuited to the conditions of the areas. We suggest, in the first place, that either a part of the *tagavi* grant or some amount from the Famine Insurance Fund should be placed at the disposal of the co-operative societies in the areas for advances to suitable agriculturists. The selection will have to be very carefully made, and the work of distribution and recovery will have to be properly attended to by the co-operative societies concerned under proper supervision by Government. Finance will have to be arranged for a cycle of years, the cycle consisting of a normal period of good, bad and indifferent years. What the cycle should be shall have to be determined in each tract in consultation with the Agricultural Department. Though it might not be possible to determine the exact cycle, it would be safer to take a little longer period as representing approximately the cycle which may be three years, five years or even longer. The amount to be recovered on account of the advances so made will have to be settled every year at harvest time, for, with the introduction of "cycle finance", the present practice of co-operative societies of expecting the repayment of the entire loan will have to be abandoned. A good year in these areas is followed usually by two or more indifferent or bad years. It will be necessary, therefore, to recover as much as is reasonably recoverable in the good year so that bad years might not seriously inconvenience the agriculturist. Where no co-operative societies exist, Government might deal direct, taking great care, however, to prevent the abuse of the *tagavi* system to which reference has already been made above. We are of opinion that in these areas, the question is not merely one of finance and recovery of advances. These are but palliatives at best; what is needed urgently is a permanent cure. If, then, any lasting good is to be done to the people, they must be made, as far as possible, independent of the vagaries of the monsoon. Conservation of moisture in land by dry farming, construction of small embankments (*tals*) on the fields and of embankments for diverting the water of streams, digging or deepening of wells with or without the aid of boring machines, and introduction of better implements and seed, in fact, everything which serves in howsoever small a degree as insurance against famine, should be taken advantage of by the cultivators. In addition, they should take to secondary occupations during their leisure hours. It is thus only that they can make both ends meet and save the agricultural industry from being a financial failure.

96. The history of financing the Nira tracts is interesting, the Pravara and Godavari canals being comparatively of recent origin. The most important crop on the canals is sugar-cane. The heavy finance required for the cultivation of this crop was originally supplied by local *sowcars* and by Government until the co-operative societies were organized, when the place of Government was taken by the Bombay Central (now Provincial) Co-operative Bank. This arrangement continued satisfactorily till about the year 1922-23. The high prices of *gur* in the boom years brought profits to the cultivators. It was possible even for an inefficient agriculturist to grow sugar-cane with profit in those times and the area under sugar-cane was in consequence unduly extended, involving larger amounts of finance. The rise in income led to a higher standard of living and repayment of old debts, and whatever surplus remained was utilised in extending sugar-cane cultivation and in purchasing lands at high prices. The soil, however, showed, in some places, signs of exhaustion, resulting in lower yields, a larger quantity of *gur* was being manufactured than ever before, and the price of *gur* fell. The market prices fell even below the cost of production, which had gone up considerably during the War and which continued high even when prices went down. Thus conditions arose which spelt ultimate bankruptcy. For a rich crop like sugar-cane which requires on an average, finance to the extent of Rs. 600 to Rs. 700 per acre, the loss sustained was very heavy and the arrears of societies mounted high. In the year 1928-29 the arrears in these tracts amounted to Rs. 20½ lakhs. Credit resources, which had been extended for the purpose of enabling the sugar-cane growers to increase production, were now called upon to tide the farmer over a period of falling prices in which he was making little or no profit at all. The effect of this was in some measure to aggravate the situation. For two or three years insignificant recoveries were made. It was necessary on the one hand to finance the current year's crop, because it was from the sale proceeds of the crop that old arrears could be paid, and it was necessary on the other hand, the sugar-cane crop being a fourteen months' crop and the two crops overlapping, to finance the next year's crop as well, before recovery from the sale proceeds of this year's crop could be made.

This situation was not peculiar to the Baramati tract only. Even in America which made tremendous profits before it joined the Great War in 1917, the rise of prices of agricultural produce led to a considerable extension of production but when prices began to fall and the demand from Europe to decrease, a depression set in and an acute crisis developed with the result that several financial institutions went bankrupt. In the canal areas, the evil effects of low prices of *gur* have been accentuated, no doubt, by mismanagement of some societies. The fact remains, however, that there was a great fall in prices and the distress was consequently great, and unless prompt measures are taken for the liquidation of the heavy liabilities incurred by the sugar-cane growers, the prospects are gloomy. We think it is essential that the repayment of the outstandings, which have fallen into arrears, should be spread over a number of years, and that the Provincial Bank

should give the necessary instalments for this purpose. It would at the same time be desirable to separate the finance of large growers of sugar-cane from that of the smaller ones. In the case of the former, a land mortgage bank should be started to supply current finance while ordinary co-operative societies should continue to meet the needs of the smaller men. Another and a more important direction for finding a solution for the peculiar conditions of the canal tracts is to carry on intensive research work with a view to finding out how the cost of cultivation could be reduced, and how and which crops could be substituted with advantage in place of sugar-cane. A more thorough supervision over the working of the canal societies would also be necessary.

97. In these tracts the aboriginal tribes predominate and they are financially worse off than any other people in the Province. A few attempts have been made to finance them through co-operative societies, notably in the Panch Mahals district, where some measure of success has been attained. Co-ordinated efforts wherein Government, the Provincial Co-operative Bank and prominent social workers joined hands, were made during the year 1922-23 and an organisation, co-operative in ideals though not in practice, suited to local conditions, was evolved. The societies function, so to say, as benevolent *sowcars* and work under the control of a large and competent staff under a special *mamlatdar*. Though the *bhil*, is ignorant and illiterate, he has a natural quick understanding of simple matters and is straightforward. He has begun already to take an interest in the co-operative society and it is to be hoped that, with proper education and guidance, he will be able to look after and manage his society ere long.

To the large number of people of this class, who are yet outside the co-operative fold, the *sowcar* remains the only financing agency, carrying on his business on traditional lines. The people are extremely backward, illiterate, not conversant with accounts, and live from hand to mouth, sometimes on the jungle products. The *sowcars* are mostly outsiders who have settled in some of the larger villages and towns. The system generally followed here is that the *sowcar* makes an advance against the crop even before it is sown, and provides the seed. When the crop is harvested, the *sowcar* takes the whole of it, and credits to the *bhil's* account the value of the crop as determined by himself, less the amount advanced to the cultivator. The *bhil* draws on this account according to his needs from time to time and according to the pleasure of the *sowcar*, and the loan account is thus kept running indefinitely. The tenure under which the *bhil* holds his land being restricted, the *sowcar* cannot sell off the land, while on the other hand, the *bhil* will not go to court and dispute the *sowcar's* accounts. The *sowcar* thus makes an easy and profitable living while the *bhil* may be regarded as being saved from the temptation of having more cash in his hands than what is good for him. The *bhil* is generally a habitual drunkard and cannot trust himself with more cash which he would be

sure to spend away on drink. The *sowcar* is thus a very handy institution to advance the necessary sums and also to take charge of the surplus. One can easily understand that under such a system the *bhil* has usually a debit balance in the *sowcar's* books. The only alternative would be the spread of co-operative societies for these people, more or less on the lines followed in the Panch Mahals district in the initial stages and the grant of *tagavi* loans by Government. In either case, a special staff will be necessary to supervise and conduct the operations, and Government should not grudge the expenditure that may be necessary for the purpose. Even here the dangers are great till the *bhil* realises by education that he can and should do better than keep a running loan account with a debit balance with the *sowcar*. Till then, the inalienable tenure of his land is his only safeguard.

98. The big *zemindars* in Sind, although owning, sometimes, several thousands of acres of land, are often in financial difficulties, partly owing to their ways of life and partly owing to want of education and indifference to business matters. They get very little help from joint stock banks, nor is the ordinary co-operative credit society in a position to help them, and their usual resort is, therefore, the *sowcar*, who charges them a high rate of interest and also arranges to make additional profit, when, as is usually the case, the produce is sold through him. Co-operative *zemindari* banks have recently been started in these districts in Sind to finance the big *zemindars*. They advance loans for current agricultural purposes, up to Rs. 5,000 each, though in the case of one bank the limit has been raised to Rs. 10,000. It seems that such banks, organised on the lines of land mortgage banks would be the best means of financing such *zemindars* not only for current agricultural purposes, but also for land improvement and for redemption of debt. No measures will, however, be of any great use to these *zemindars*, unless they change their ways and begin to live a more thrifty life. These *zemindari* banks must ultimately be run on the same lines as the ordinary co-operative societies in Sind where members build up their own capital by increasing their investment in the society's share capital year by year.

99. The problem of financing the *hari* bristles with difficulties. Having no land, he has no credit. The *zemindar*, usually not in a position to finance him, as he has himself to borrow. The *sowcar*, when he makes an advance, takes a lien on the *hari's* share of the crop and charges an exorbitant rate of interest. The result is that whatever crop remains with the *hari*, after the *zemindar* has received his share, is generally taken away by the *sowcar* in repayment of the debt. The *hari* then has to borrow for his maintenance till the next harvest, when the same procedure is repeated. Co-operative societies have been admitting *haris* as members, but have lost on this account in some cases, as the *haris* run away from their masters and the sureties being themselves *haris* have little to pay. There are only two ways in which the *haris* can be properly financed. The

zemindar himself must arrange for the *hari's* finance. If the *zemindar* is a member of a co-operative society or bank, he must arrange to get the necessary amount from such an institution for advancing to his *haris*. A better way would, however, be for the *haris* to get finance directly from a co-operative society, the *zemindars* standing surety for them. Unless the *zemindars* agree to do this, it may be risky for the society to advance amounts to the *haris*.

100. The position of the tenants-at-will is similar to that of the *haris*,
 TENANTS-AT-WILL. and the remarks made above apply also to them.

CHAPTER VI.

LAND IMPROVEMENT AND LONG-TERM CREDIT.

101. A comprehensive system of rural credit will have to provide not only for finance for the current needs of agriculture, but also to devise arrangements for the provision of funds for capital expenditure and permanent improvements. The problems relating to short-term or intermediate credit have already been discussed in the preceding chapter. The success of the ameliorative measures proposed in that chapter and elsewhere in this Report is, however, closely interlinked with the increase in repaying capacity and the consequent enhanced creditworthiness of the agriculturist. The average annual income per head of the Indian population is admittedly very low, and this compares most unfavourably with the average earning capacity in other countries. To raise this average is, therefore, a task of the utmost national importance. Intimately connected with this question is the problem of increasing the yield from agriculture. Due to various factors, which it would be out of place to discuss here, the average income per acre from various crops is very much lower in India than in other countries, so that agricultural credit is attended with an unusual degree of risk that renders its organisation on a financially sound basis a matter of extreme difficulty. It is the poor income from agriculture and the low average repaying capacity, that are to a great extent responsible for the growth of rural indebtedness.

102. In Chapter IV we have examined the causes, extent and incidence of agricultural debt and have attempted a classification of the purposes for which debts are incurred. Admittedly, the bulk of the debt in this Province as elsewhere in India has been incurred for unproductive purposes. But our examination of the problem of debt leads us to conclude that its incidence would not be so onerous and its growth not so serious, were the margin between income and expenditure higher than what it is to-day. The precariousness of the rainfall in several parts of the Province accentuates the gravity of this problem of unproductive debt to such an extent that, even if the incidence of interest is reduced considerably, the success of any schemes for liquidation of debt would be problematical, should the agricultural conditions remain as they are now. In those parts of the Province where the peasant proprietor predominates, the greatest hope of the agricultural industry, and consequently of its credit organisation, lies, as the Royal Commission on Agriculture in India have emphasized, in the adoption of some form of intensive cultivation which will result in maximum agricultural production. Such intensive cultivation is possible only in the event of an assured supply of water for growing the crops. Hence, in any scheme of land improvement in this Presidency, the provision of arrangements for the conservation of rainfall or for the storage of water must

occupy the first place. The need for a forward policy is evident when we consider that out of a total of 28,958,000 acres, which is the gross cropped area in the Presidency proper, the gross area irrigated is only 17·4 lakhs acres, giving a percentage of 3·9, which is the lowest among all Indian provinces. The average net area under irrigation during the five years 1924-25 to 1928-29 was 9,96,000 acres, of which, again, 5,18,000 acres were irrigated by wells while the remaining 4,78,000 acres were irrigated by Government canals, tanks and other sources. In spite of the fact that the Government of Bombay have, in recent years, spent large amounts on major irrigation works, these figures indicate the immense scope that exists for the extension of irrigation, and establish the need for a review of the position in regard to outstanding irrigational projects. Though we would like to lay stress on this recommendation of the Royal Commission on Agriculture as likely to be very helpful in raising the income and credit of the agriculturist, we would note here that, from the point of view of the present inquiry, we are more concerned with the provision of financial facilities for private effort. As the Commission point out in paragraph 279 of their report, the question of the construction and improvement of minor irrigation works has not, in the past, received the attention from Government which its importance justifies. It was only in 1925 that an active policy promoting minor irrigation works for protection against famine was initiated in this Province. The *phad** system of irrigation, which still obtains in the Nasik and Khandesh districts, shows that there is in some districts a capacity for co-operation in this respect among village communities, but that it needs a little encouragement and some technical guidance from the State, together with facilities for finance, to bring these latent forces into play for the development of local resources, either by joint action or by the stimulation of individual efforts at improvement.

103. The most important of these works of minor irrigation, which
 S C H E M E S O F can be generally undertaken by individuals, are the
 I M P R O V E M E N T . construction and repair of wells, or the sinking of
 tube wells. The construction of *wads* or *tals* (embankments) to
 conserve the water supply in the fields is also an important item of
 improvement, especially in areas having a very precarious or unevenly
 distributed rainfall.

Nearly 90 per cent. of the area in the main famine zones of the Bombay Presidency can, however, never be protected by irrigation by means of either canals or by other sources, and the most essential problem in these tracts is the conservation and very careful use of water. Wherever this

* *Phad*.—This is a co-operative system of irrigation, in which the holders of land combine for the economic use of irrigation water and the consequent adjustment of cropping. The water is obtained by putting up dams across rivers, and the area commanded is divided into *phads*, or portions (usually four in number) each of which is put under the same crop. The rotations are fixed, and can be changed only with the consent of the community.

can be undertaken by individuals, we suggest that all encouragement should be given to them by Government to set up field embankments, as is being done in some parts of the Karnatak. Through the agency of the special staff placed at its disposal, the Department of Agriculture in the southern division of the Presidency has assisted in the construction of these embankments on contour lines so as to secure the proper distribution of water and silt in the area flooded. The minimum area so covered is as small as half an acre and the cost of construction varies from Rs. 100 to Rs. 300 per acre ; but all the schemes undertaken show a profit sufficient to make the investment a productive one, provided financial facilities coupled with free technical advice are made available to the cultivator. The results so far achieved justify the extension of this kind of work.

Other sources of irrigation consist of tanks which are helpful in raising the sub-soil water in neighbouring wells and are an important means of watering the crops in the *mallad* tracts in the south. The repair and upkeep of these tanks is a matter of great importance, though from the intensive inquiry conducted by us at the village of Advisomapur (*taluka* Bankapur, district Dharwar) and from some other evidence tendered to us this does not appear to have received the attention it deserves, both from the people and the authorities concerned. *Bandharas* across rivers, *bunds* across streams and diversion of channels provide another class of works generally outside the means of individuals, but fit to be undertaken either by Government or by co-operative organisations. These were common sources of water supply once and need resuscitation, along with tanks, in some parts of the Presidency. In Gujerat and Sind, individual or co-operative effort at installing pumping plants on wells, irrigation channels or watercourses deserves encouragement. Among other works of improvement, apart from irrigation, special mention must be made of the problem of fencing. In several parts of the Presidency, the crops are subject to serious ravages by wild animals, particularly pigs, and the damage has increased in recent years. The cost of permanent fencing is beyond the means of an individual cultivator ; co-operative effort has, therefore, been promoted in the southern districts of the Presidency. The terracing of fields, the prevention of soil erosion, drainage and reclamation of lands are other items of land improvement, which, when not undertaken by the State as works of public utility, should be fostered systematically by Government with offers of financial help and technical advice to cultivators. Reference may be made, lastly, to the possibilities of introducing labour-saving agricultural machinery. No special financial facilities appear to be necessary to encourage the wider use of iron implements of the modern type, as intermediate credit for this purpose is available from the usual sources. It is only when costly pumping plants are installed on large estates or for groups of cultivators co-operating for the purpose, that long-term credit is required. Tractors seem to have found favour in Gujerat and Sind, particularly for the larger holders, and in Sind especially, owing to shortage of agricultural labour. Their use may,

probably, be stimulated by the grant of financial help on a long term basis. Consolidation of holdings and joint farming on a co-operative basis, in areas where uneconomic holdings are common, are lines of development which may be resorted to, if long-term credit facilities are available on fair and reasonable terms.

104. The existing channels through which agriculturists obtain finance
SOURCES OF FINANCE. lands are the *sowcar* or the village money-lender, Government, co-operative credit societies and miscellaneous other agencies such as landlords or joint stock banks. The most usual security on which credit for these purposes is obtained is the mortgage of agricultural land. Owing to the absence of any accurate information about the extent of the dealings of agriculturists with *sowcars* it is not possible to put forward any estimate of the amount of finance provided by the latter for purposes of land improvement, and the general tendency among agriculturists as well as *sowcars* to make no distinction between credit employed for current needs, domestic requirements or agricultural improvement, increases the difficulty. But from the evidence we received we conclude that the extent of the capital specifically advanced for works of land improvement is by no means substantial; in fact, it was frequently represented to us that under the *sowcar's* methods of financing it was not possible to secure adequate funds for the improvement of agriculture at fair rates of interest and with repayment spread over a reasonable period of years. The rate of interest, though generally lower than the rate on loans for current needs, is too high to permit works being undertaken on an economic basis, and even where loans have been obtained on the mortgage of land, borrowers have always felt some uncertainty as to the period which such loans will be allowed to run. This uncertainty has acted detrimentally upon the progress of improved or intensive cultivation.

105. In Sind, particularly, it is the practice for the landlords to
OTHER AGENCIES. undertake improvements on their lands, but in the Presidency proper, this is less common. In any case, the long-term credit that the landlords themselves command for purposes of land improvement is so restricted that the land remains undeveloped. Among other agencies through which credit for land improvement can be secured, mention may be made of the firms selling agricultural machinery on some form of hire-purchase system. Joint stock banks, including the Imperial Bank of India, play scarcely any part in financing works of land improvement, mainly because it is not in consonance with their system of banking to issue loans on a long-term basis.

106. To remedy this deficiency in the credit organisation of the
GOVERNMENT TAGAVI. country, the Government of India introduced the system of long-term *tagavi* under the Land Improvement Loans Act (XIX of 1883) and every year in their budget the provincial Government set apart an allotment to be disbursed

through the collectors in various districts. These advances are made on the security of mortgage of land, and are available for the following purposes :—

(a) Construction of wells, tanks and other works of storage, supply or distribution of water for the purposes of agriculture, or for the use of men and cattle employed in agriculture ;

(b) Preparation of land for agriculture ;

(c) Drainage, reclamation from rivers or other waters, or protection from floods or from erosion or other damage by water, of land used for agricultural purposes or waste land which is culturable ;

(d) Reclamation, clearance, enclosure or permanent improvement of land for agricultural purposes ;

(e) Renewal or reconstruction of any of the foregoing works or alterations thereon or additions thereto ; and

(f) Such other works as the Local Government may, from time to time, by notification in the local official Gazette, declare to be improvements for the purposes of the Act.

The rate of interest charged at present is $6\frac{3}{4}$ per cent., and the maximum period of repayment is fixed at twenty years. The loans, which are usually advanced in instalments according to the progress of the works, are recoverable in equated annual instalments. The work of scrutiny of applications for loans and of their recovery is entrusted to the local revenue authorities and instalments that are overdue are recovered as arrears of land revenue. These advances are distinct from the advances made under the Agriculturists' Loans Act (Act XII of 1884), but we found in the course of our inquiries that the figures of both types of Government loans were not separately shown. We recommend that, in future, separate accounts should invariably be maintained in every district for the two types of loans. The figures of advances under the Land Improvement Loans Act, as made available to us, are as under :—

Year	(Figures in thousands of rupees)		
1901	17,61
1905	19,05
1909	5,94
1913	10,74
1917	3,30
1922*	1,41
1926†	13,72

* Figures for 1921 are not available.

† Figures for later years are not available.

107. These figures indicate that the system is not being widely resorted to, despite the obvious need for land improvement and the great desirability of promoting such improvement in all parts of the Province which was emphasized by several witnesses. During the course of our inquiry, we tried to find out why this source of credit was not being largely availed of, and among the defects of the system that were brought to our notice the most serious was the delay that takes place in the disposal of applications. There were complaints that schemes of land improvement had been put forward but that their consideration was delayed so long that they had ultimately to be dropped. There was also an impression that the amount that could be obtained as *tagavi* loans was insufficient. Further, in no district, with the single exception of Bijapur to which we make a reference later, was there any well-planned policy of promoting agricultural improvement by the grant of *tagavi* under Act XIX of 1883, much less any demand, in advance, for a share of the annual budget allotment under this head. While in the precarious tracts of the Province where the Superintending Engineer, Minor Irrigation Works, had his staff conducting their operations, or in the three districts of the Karnatak where bunding officers were at work, there was some agency available on the spot for technical advice, guidance and supervision, most of the other districts in the Province possess no arrangements for this purpose.

The only district where we found an attempt was made to use the machinery of the Land Improvement Loans Act under a definite policy of agricultural improvement and famine protection was Bijapur. The late Mr. V. H. Naik, while Collector of Bijapur, submitted to Government in 1926 a proposal for a special *tagavi* scheme, which was sanctioned by Government and an allotment was placed at the disposal of the Collector from year to year. The rate of interest was specially lowered to 5.21 per cent. for wells, but kept at the usual figure of 6½ per cent. for embankments. Government approved of the appointment of a revenue clerk or circle inspector as special *tagavi* officer for each *taluka* to scrutinize the applications for *tagavi*, to visit the lands proposed for improvement, to examine the creditworthiness of the borrowers and to prepare plans and estimates. Arrangements were made for the training of these officers and the maintenance by them of special registers and records to show the progress of their activities. The officers work under the local revenue *mamlatdar*, but maintain touch with the bunding officer of the Agricultural Department. Their duties do not end with the scrutiny of applications; when the loans are sanctioned, they have to supervise the progress of the works and keep the higher authorities informed about the proper utilization of loans. The system appears to have worked satisfactorily so far, and there has been a good response to the efforts of the Collector to get the people to undertake schemes of improvement. We would like to see a similar policy adopted in other districts, especially those liable to drought. The following table will be of interest as indicating the possibilities of promoting

land improvement through a judicious distribution of long-term *tagavi* loans :—

Tagavi advances in the District of Bajapur.

Year	Allotment by Government for the year	Total No. of works for which loans were advanced		Total amount advanced for the works in columns 3 and 4 during year	Total No. of works completed during the year		No. of works still in progress		Tagavi Outstanding at the end of the year	
		Wads	Wells		Wads	Wells	Wads	Wells	Principal	Interest
1	2	3	4	5	6	7	8	9	10	11
	Rs.			Rs.					Rs.	Rs.
1925-26 ..	..	..	..	..	..	..	39	50	10,90,107	94,659
1926-27 ..	2,52,000	476	355	2,51,739	465	353	..	..	11,80,530	89,129
1927-28 ..	2,75,000	669	290	2,74,308	882	..	..	..	13,53,975	99,414
1928-29 ..	3,00,000	617	220	2,99,969	388	..	..	..	14,74,131	84,154
Total ..	8,27,000	1,762	871	8,26,136	1,735	353	39	50	....	....

Note.—For 1929-30 a sum of Rs. 3,00,000 was sanctioned and out of this Rs. 1,11,482 were advanced in the first half of the year for 194 new works, 136 *wads* (or field embankments) and 58 irrigation wells.

108. Another agency through which long-term credit for capital and permanent improvement can be obtained is the Co-operative societies. Agricultural co-operative societies are permitted, under their bye-laws, to grant loans, up to a maximum of Rs. 750 for an individual, for purposes of land improvement, the loan to be secured on mortgage of land and the period of repayment to be ten years at the maximum. Loans over Rs. 750 are also permissible with the approval of the Registrar of Co-operative Societies. The statistics published by the Co-operative Department do not furnish figures of loans issued by societies under this authority, whether out of their own resources or out of funds borrowed from their central financing agencies; but from the evidence recorded it appears that such advances are made on a limited scale, as the general view seems to be that the grant of long-term advances for land improvement, without arrangements for previous inquiry and for control over the right use of money, should be discouraged.

Under rules framed by Government in 1922, in villages where co-operative societies are situated, advances under the Land Improvement Loans Act can be made only through the agency of such societies. Government place an annual allotment, which now amounts to Rs. 3,50,000, at the disposal of the Bombay Provincial Co-operative Bank which holds the balance in current account and issues loans on the certificate of the Registrar. Individuals apply for loans to the village societies of which they are members, and the societies forward the applications to the central financing agencies—the central or the Provincial Bank—to which they are affiliated. Government grant the loans to the Provincial Bank which is responsible to them for repayment. The Provincial Bank, in its turn, holds the central bank or the society—if affiliated to

itself—responsible for the advances made, and the rates of interest are $5\frac{1}{2}$ per cent. to the Provincial Bank, $5\frac{3}{4}$ per cent. to the central bank, 6 per cent. to $6\frac{1}{4}$ per cent. to the society, and $6\frac{3}{4}$ per cent. to the individual borrowers. The latter do not have to pay anything higher than is payable by those borrowing direct through the revenue authorities. The scheme has been only partially successful as is indicated by the fact that, year after year, some portion of the allotment has had to be refunded to Government for lack of applications. The advances made from year to year are shown below :—

Co-operative Land Improvement Loans.

Year					Allotment Received	Total advances made
					Rs.	Rs.
1922-23	..	..	..	..	3,00,000	1,02,471
1923-24	..	..	..	..	3,50,000	94,229
1924-25	..	..	..	..	3,50,000	1,66,210
1925-26	..	..	..	..	3,50,000	2,09,570
1926-27	..	..	..	..	3,50,000	1,14,070
1927-28	..	..	..	..	3,50,000	1,02,270
1928-29	..	..	..	..	3,50,000	50,097

109. It will be seen from the table that the amounts advanced through co-operative societies are comparatively small. The main reason for this is that delays in the disposal of applications by the societies are even more serious than in the case of applications dealt with by the revenue authorities. The latter have on the spot their own agency—ill-equipped though it may be for the purpose—to scrutinize applications, while applications from members of co-operative societies have to go to various authorities who have no similar agency of their own. Apart from the society itself and its central bank, applications have to go to local officers of the Co-operative or Agricultural Departments, often to the Deputy Director of Agriculture and invariably to the Assistant Registrar and the Registrar of Co-operative Societies. The banks get a nominal remuneration for the responsibility they undertake and as the funds are derived from Government, it has been laid down that the work of investigation should be entrusted to Government officers. To remedy this defect, we suggest that in each district, where co-operation has made progress, there should be some officer of the Co-operative Department who is trained in the elements of agricultural and engineering practice, to examine applications and also to watch over the proper use of advances made. Where there are efficient *taluka* development associations with a qualified staff, the services of the latter should, we suggest, be utilized by the Co-operative Department.

We noticed that there is one feature which is common to the system of *tagavi* loans, whether advanced direct through Government officers or through the agency of co-operative societies, namely general ignorance

about the facilities for credit and the procedure to be followed in securing funds. This lack of knowledge may be due to apathy or inertia. To overcome it steps should, we are of opinion, be taken in all districts to place before the agricultural population the advantages of going in for land improvement, the schemes of improvement capable of being undertaken in various tracts, and the facilities that are available for long-term credit. To this end we would propose, as the Royal Commission on Agriculture have suggested, the creation of an agency, educative in scope rather than advisory, which, without waiting for the cultivator to consult it, should go to him and urge him to adopt the scheme best calculated to utilize his available water supply—to mention the most important form of land improvement—to the fullest advantage. This agency should also work in close co-ordination with all the authorities concerned in rural development—the Revenue, Agricultural, Co-operative and Public Works Departments as well as co-operative banks. As soon as applications are scrutinized and plans and estimates framed, the papers should be passed on by the agency to the proper financing authority, whether the local revenue officers or the Co-operative Department.

As a step preliminary to such co-ordinated action, it would be desirable to undertake an investigation in every district into the natural resources available for the protection of lands from famines. Through the Executive Engineers of some districts, and latterly through the agency of the Superintending Engineer, Minor Irrigation Works, a certain amount of information has, we understand, already been collected on this subject in some districts, but the few thorough surveys already made have to be followed up by giving publicity to the concrete proposals outlined therein, by securing the co-operation of the rural population in adopting them and by arranging for the provision of the requisite finance. Though the post of the Superintending Engineer for Minor Irrigation Works—the creation of which was specially commended by the Royal Commission on Agriculture to the attention of the other provincial governments—has been abolished, we would urge that the policy of investigating and encouraging minor irrigation schemes which the incumbent of this office was expected to carry out should not be abandoned; on the contrary, the activities of this special staff should, we suggest, be even extended to districts outside the insecure tract. From the point of view of the development of banking organisation in rural areas, what is most important is the raising of the creditworthiness of the agricultural borrower, and nothing will help towards that end so much as the encouragement of minor irrigation works to afford protection against famines in the precarious tracts and to stimulate intensive farming in others.

110. It will be seen from the foregoing description of the existing agencies for the provision of finance for agricultural improvement that not one of these possesses all the ingredients required for enabling it to develop into a sound system of long-term credit. These requisites are: a low rate of

interest; redemption by a number of small annual payments fixed on the basis of increased repaying capacity; and automatic expansion of resources. Neither the *sowcars* nor the landlords command sufficient capital to enable them to finance improvements at fair rates of interest and for long periods, and co-operative societies are hardly in a much better position. The funds that they or their central banks can supply are meagre compared to the magnitude of the problem, and at present the finance provided by them for land improvement is practically confined to the *tagavi* placed by Government at the disposal of the movement. Ultimately, therefore, the main source of long-term credit is the State, functioning through the machinery provided by the Land Improvement Loans Act. Useful as is this method of finance, it possesses certain drawbacks which render it unsuitable to serve as the credit agency of the future for long-term finance. Undoubtedly, the rate of interest is comparatively low, and it is possible to have repayment spread over a long period, but the procedure for securing loans and the methods of inquiry do not commend themselves to the agricultural population and the system has not, therefore, been a great success. The *tagavi* Acts do not, besides, make any provision for the finance required to reduce the burden of agricultural debt, for which purpose some credit organisation has, in any case, to be created.

111. In our remarks on agricultural indebtedness we have indicated the lines on which that problem is capable of solution. It will be clear from the observations made at the beginning of this chapter that we attach very great importance to the need for increased production, but the influence of better farming and intensive cultivation on reduction of debt will be slow and gradual. In the meanwhile, it would be unwise to allow this burden on the land to grow heavier, and some method of direct attack is necessary to reduce the incidence of heavy interest charges which are, in effect, a tax on production. Hence it is desirable to give to agriculturists who possess sufficient credit an opportunity of redeeming their property or freeing themselves from unsecured debt within a reasonable period of time through some form of credit organization which should possess the essential features we have referred to above. This search for a credit machinery for long-term finance is by no means peculiar to India or to Bombay. In this Province, a solution of the problem was attempted as early as the nineties of the last century by Mr. Justice Ranade and Sir William Wedderburn. Later, Sir Lalubhai Samaldas submitted a scheme to Government in the first decade of this century, while Sir Dinshaw E. Wacha has also advocated the starting of an agricultural bank on the Egyptian model.

112. With the introduction of co-operative credit, hopes were entertained that village societies, with the assistance of their central banks, might be able to provide finance on a long-term basis, and it was the appreciation of this point of view that led to the approval by Government of the scheme of debentures put forward by the late Sir Vithaldas D. Thackersey

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when he promoted in 1911 the Bombay Central (now Provincial) Co-operative Bank. These debentures are secured by means of a floating charge on the general assets of the Bank, consisting primarily of advances to registered co-operative societies. They bear interest at 4 per cent., payment of which is guaranteed by Government until the debentures are redeemed. The debentures issued amounted till last year to Rs. 7,80,000 out of a maximum of Rs. 20 lakhs prescribed under the arrangements and the Bank was not able, after the outbreak of the War, to issue any further debentures and extend facilities for long term credit. One of the main grounds of objection to village co-operative societies and central banks undertaking responsibilities in this direction is that their resources for long term finance are limited and can expand only if long-term deposits are attracted at high rates of interest which would in turn raise the lending rate unduly. It is felt that there is no machinery available for verifying titles, evaluating the security and getting documents executed. Moreover, no large amount can be advanced to a single individual, when the other members are also made responsible for his debts. The introduction of mortgage security also saps the sense of personal responsibility on which unlimited liability is based. For these reasons, the Provincial Bank and co-operators, official and non-official, have been forced to the conclusion that the ordinary system of co-operative credit is unsuitable for long-term finance.

113. The principal difficulty in the way of providing facilities for long-term credit is that neither *soucars* nor indigenous **ADVANTAGES OF MORTGAGE BANKS.** bankers, neither joint stock nor co-operative banks, are prepared or are in a position to invest funds on the mortgage of lands and allow their finances to be locked up for long periods, the former because they find finance for marketing or current needs more remunerative, the latter because their own borrowings are generally on a short-term basis ; and, further, none of the agencies is able to provide capital at a low rate of interest. The mortgage credit of agriculturists has, therefore, to be mobilised in a form which creates a marketable instrument in which the investing classes can put in their money with confidence. This instrument is the mortgage debenture, secured on mortgages of immoveable property, mainly in land, executed by borrowers. The advantages of this machinery are :—

1. It establishes a standard system of land mortgage credit for agriculture.

2. It affords to holders of agricultural land credit facilities for redeeming their lands from mortgage, for liquidating prior unsecured debts or for effecting permanent improvements, secured on the mortgage of their lands, at a reasonable rate of interest, in a standard and universally acceptable form and free from the risk of uncertainty of demand for repayment.

3. It affords the necessary opportunity, by provision of credit facilities to individuals, to purchase and develop lands or bring under cultivation cultivable waste or fallow lands.

4. It creates a standardised security for investment and opens up a channel for the safe investment of capital in the agricultural industry.

114. Land mortgage credit for the development of agriculture and the redemption of mortgaged property is now firmly

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IN OTHER COUNTRIES.**

established in most of the advanced countries of the world. The *landschaften* of Germany are the earliest examples of this form of credit organisation and the federal farm loan system of the United States of America is one of the most recent. In Ireland and in England, during the last few years, agricultural credit corporations have been set up, the main feature of which is the large measure of State aid extended to enable them to popularize the land mortgage debentures. In Ireland, Government undertake to subscribe to the capital and guarantee the principal and interest thereon, as well as on the debenture bonds issued by the corporation. In England, the share capital, which bears a limited dividend not exceeding 5 per cent., has, following the lead given by the Bank of England, been wholly subscribed by various joint stock banks, while Government have provided the corporation with a guarantee fund of £650,000, free of interest, for sixty years, and besides contribute annually £10,000 towards their expenses. The debenture bonds to which, too, Government may subscribe and of which they may procure the underwriting, rank as trustee securities. The Irish and English corporations can deal direct with the farmers or utilise the agency of co-operative organizations in Ireland, or of joint stock banks in England. In the United States of America, the federal farm loan system provides for the creation of a chain of co-operative organisations. The individual farmers combine in their local associations called "national farm loan associations", and these associations are federated into "federal farm loan banks", which are twelve in number. At the apex, there is the "federal farm loan board" attached to the United States Treasury Department and responsible for co-ordinating and supervising the activities of the land banks which are jointly and severally responsible for the bonds issued by each. The bonds are free from all taxation and are recognized as "instrumentalities" of the United States, and as a legally authorised investment for all "fiduciary" and trust funds. Shares in the land bank are held by the governments of the different States or by individuals, but the aim is to have the entire share capital held by "national associations". State aid is thus the basis of the land mortgage credit system in all the three countries referred to above. Another feature of the federal farm loan system to which we should like to call attention is that business is conducted through local organisations enjoying intimate touch with the agricultural borrower. These few facts are set forth here to indicate that though land mortgage banking is in an experimental stage in India, it has over half a century's history behind it in Germany and elsewhere, and that worked under proper control and with due safeguards, it is a most valuable instrument for improving the economic status of the peasant proprietor.

115. At the Conference of Registrars of Co-operative Societies held in 1926 a scheme of land mortgage organisation was put forward and the proposals were examined by the LAND MORTGAGE CREDIT IN BOMBAY. Royal Commission on Agriculture which expressed general approval of the scheme. The Commission, however, emphasised the need for controlling, through a central organisation, the work of issuing debentures and urged the need for caution, especially in the work of debt redemption. In conformity with this policy, the Government of Bombay have approved of the organisation of three co-operative societies, one each, in the districts of Broach, Dharwar and East Khandesh. These societies were registered last year and are formed on the model of the national farm loan association of the United States. The membership of these bodies consists of groups of agriculturists, who hold land and wish to borrow on its security for approved purposes. The purposes for which loans can be made are :—

- (1) The improvement of land and methods of cultivation.
- (2) The installation or purchase of costly agricultural plant and machinery.
- (3) The redemption of mortgaged lands and houses and the liquidation of old debts.
- (4) The purchase of land for purposes of land improvement or for making better cultivation possible in the general interests of the community or for bringing under cultivation, cultivable waste or fallow lands.

The members contribute, as share capital, five per cent. of the amount of their borrowings, and this capital is invested separately. The societies have power to advance loans to a maximum of fifty per cent. of the value of unencumbered land, or, in special circumstances, of, house property and the period of the loans may extend upto thirty years. The committees of the societies, on which there are representatives of the Registrar of Co-operative Societies and the Bombay Provincial Co-operative Bank (which functions as the central bank for this business), make recommendations with regard to loans which are subject to the approval of the Provincial Bank and the Registrar. Each of the societies has attached to it as a land valuer an officer of the Revenue Department whose services have been lent free of charge by Government for the initial period of working. We would note here that we attach great importance to the systematic valuation of lands on scientific lines and would not like the land mortgage organisation to accept a multiple of the assessment as the basis for land valuation. The arrangement of lending the services of a Government officer for this purpose seems, on the whole, to be the most suitable under the existing conditions. Both in respect of control of valuation and the grant of loans, the local societies do not enjoy unfettered discretion, but in the present circumstances we agree that the control of the organisation has to be centralized. The grant of too wide a discretion to the local directorate has already led to certain difficulties elsewhere, and it is reported that there have been cases of deliberate default and unsound business.

There is one feature of their working which appears to stand in need of some modification. As the model of the federal farm loan system is followed, the present arrangements are that no portion of the margin between the borrowing and lending rates of interest is available for the local society, which is expected to meet its expenses out of the interest on the investment of its own share capital supplemented by small grants from the Provincial Bank. In the United States, the working expenses of the national associations are kept very low, gratuitous service is common, and all out-of-pocket expenses are recovered from borrowers. That seems to be a fair arrangement, but it is worth considering whether, in view of the large size and wide area of the societies started in this Province, a fixed portion of the margin between the two rates should not accrue to the local land mortgage societies. From the point of view of expense, as well as of mutual contact between borrowers, the question of the area of operation appears to be important. The Royal Commission on Agriculture favoured restriction of the area to the smallest unit consistent with competent management. After comparison of the results of the working of one society in this Province, which serves only a *taluka*, with the other two, each of which serves a district, Government may decide what should be the area of operations in future. For the present, however, we would only suggest that even the societies which have the whole of a district as their area of operations may be advised to restrict their actual operations to one *taluka* or a group of two or three contiguous *talukas*. The three societies now working in the Province have only recently started their operations and the amount of loans they have sanctioned so far is very limited, the total coming to Rs. 1,15,766 only. Government may now well examine whether they should not permit the formation of co-operative land mortgage associations in different parts of the Presidency, without awaiting the results of the working of the three societies.

116. The principal improvement that is called for in the present arrangements is the creation of an independent central land mortgage bank for the Province corresponding to the "federal land bank" under the American system. The Royal Commission on Agriculture recommended that the issue of debentures should be controlled by a central organisation on the ground that the system of issue by separate mortgage banks would inevitably result in a number of small institutions flooding the market with competing issues, that the security of each unit would be low and that, consequently, the terms of issue might have to be unfavourable. Even in Madras, where debentures were permitted to be raised by local banks, it has now been found necessary to start a central bank for issuing debentures and for co-ordinating the work of local banks. In this Province, where, according to the present system of land mortgage credit, the local society is, for all practical purposes, an advisory and guaranteeing body, we are convinced that the need for a central land mortgage organisation is all the greater than in Madras. The Provincial Bank which has, as a provisional arrangement, agreed to raise additional debentures to finance co-operative

land mortgage societies is now unwilling to shoulder further responsibility for the work. The Provincial Bank is an institution itself receiving short-term deposits from the public and functioning as the balancing centre of the co-operative movement, with which all the surplus funds of various institutions are being deposited. It owes a duty to its own depositors as well as to depositors in its affiliated institutions to see that it assumes no responsibilities which are likely to result in its funds being locked up in long-term agricultural finance. Land mortgage finance, even under the best of safeguards, may lead to complications such as unavoidable purchase of lands, and the credit of any banking institution dependent on deposits for its capital is likely to be rudely disturbed by such transactions or even by rumours of its being involved in them. Besides, the Provincial Bank in its financial relations with the Imperial Bank of India finds itself handicapped owing to the floating charge created on its general assets. Under the original trust deed, it cannot issue debentures charged specifically on the mortgages held on account of local societies, while there is no doubt that such mortgage bonds have better prospects of finding favour with the public than debentures secured merely on the general assets. We, therefore, recommend that as in other countries, Government should actively assist in the starting of a central land mortgage bank, with the assistance of the Imperial Bank of India and joint stock banks, the Provincial and other co-operative banks and the land holding classes.

Membership of the central bank should, as in the "federal land banks," be open to all these at the start, and Government too should take up the unsubscribed portion of the capital. The outside shareholders and Government should, however, withdraw gradually as the shareholding of the local societies increases. The constitution of the directorate should provide for a large and increasing share in the management being given to the representatives of the local societies and should also include a seat for the Registrar of Co-operative Societies or some other nominee of Government. The bank should, we recommend, be registered under the Co-operative Societies Act to provide restrictions on the rate of interest on lendings and on dividends. All the other restrictions of the co-operative system would also operate and the Registrar would have his power of inspection and audit. No additional power for securing the interests of Government seems to us to be necessary, though the agreement with Government and the trust deed to secure debentures will contain all the usual safeguards now embodied in their agreement with the Provincial Bank. The bank should be allowed to issue debentures to the extent of twenty times the paid-up capital. These debentures should have both the principal and interest guaranteed by Government and they should undertake to subscribe to a portion of the debentures. Government have, it may be noted here, already agreed to purchase debentures of the Provincial Bank to the extent of Rs. 5,00,000, to be earmarked for land mortgage work, of which amount Rs. 2,00,000 have already been subscribed.

A guarantee by Government is valuable from the point of view of the investors, and witnesses connected with the Bombay money market

testified that otherwise they were doubtful of a wide response on the part of the investing public. Government, moreover, owe a duty to the agricultural population and can meet the demand for better facilities for long-term finance by giving a guarantee, by which means they will be able to inspire confidence in this new system of land mortgage credit without any loss or embarrassment to themselves. The present debentures of the Provincial Bank rank as trustee securities under the Indian Trusts Act, and we approve of similar recognition being accorded to the debentures of the proposed central institution. We recommend purchase by Government of these debentures, as that will be the best means of introducing them to the market, promoting their negotiability and giving a lead to the rich landlords who are otherwise very conservative in matters of investment. We further suggest that in the areas of different land mortgage societies an opportunity should be afforded to local investing classes to subscribe to the debentures of the central bank. When appreciable sums are secured locally, the debenture director, for whom provision is made even in the existing bye-laws of co-operative land mortgage societies, will be a valuable link between the local investors, the borrowers and the central land mortgage bank.

117. During the course of our inquiries in Sind, we received a large volume of evidence in favour of the creation of a land mortgage bank for Sind distinct from the organisation required for the Presidency proper. The chief ground for this demand was the desire to make suitable arrangements to finance the purchase of lands to be brought under perennial irrigation under the canal system which will be fed by the Sukkur Barrage project. These demands were put forward on behalf of *zemindars*, as well as on behalf of *haris* whom several witnesses wished to see settled on lands of their own instead of being tenants-at-will having no permanent interest in the cultivation of the lands entrusted to them. There were also proposals for financing the colonization of some portions of the new lands to be brought under cultivation by young men from the middle classes in towns and cities. The recent orders of Government (*vide* Press Note P. 69, dated 7th March 1929) make provision for the grant of lands on the Barrage to *zemindars*, peasants and the general public. About 3½ lakhs of acres of fallow forfeited and *mohag* land is to be given to existing holders at the nominal rate of Rs. 15 per acre, the amount being payable in two annual instalments. As regards grants to peasants, it is intended to give them land, about 16 acres each, at a concessional rate. They will be allowed to complete the payment of the price within a period ranging, at their option, from 20 to 45 years. During the first five years the peasants will be tenants-at-will, paying Rs. 3 per annum per allotted acre. During the remaining period they will have to pay, in addition to the ordinary land revenue, a sum varying, at their option, from Rs. 5 to Rs. 3 per acre, the former if they wish to complete the payment within 15 years, the latter if within 40 years. For the present, Government have set aside 50,000 acres for making such grants to peasants. They have also authorised the Revenue Officer, Sukkur Barrage, to

NEED FOR MORT-
GAGE BANK IN SIND.

consider applications from co-operative societies or other organised groups for grants on terms not more generous than those outlined above.

As regards the bulk of the unoccupied land, Government have decided to sell it at the best prices procurable from time to time. Sales by auction will be the rule and these will be open to all bidders. Payment will be allowed to be made in instalments, the general rule being 10 per cent. down and the balance to be paid by five annual equated payments of principal and interest, the rate of interest being $6\frac{1}{2}$ per cent. The sales will be held from time to time, and generally not more than once a year before the canals are opened and flowing.

These orders provide facilities for all classes of the population desirous of taking advantage of the newly opened areas, but there has been some criticism to the effect that in the case of open sales, the period of five years over which payment is to be spread is too short and that if it were extended to ten years, better prices would probably be obtained, and more buyers attracted. We think that there is some force in this criticism and suggest that the period be extended to ten years, especially as such extension is not likely to cause any loss to Government.

So far as the present *zemindars* are concerned, they will require finance, as Mr. H. Dow, I.C.S., Revenue Officer, Sukkur Barrage, has pointed out to us, not so much for the purchase of more land, as for developing, as quickly as possible, lands which they already hold. The great increase in cultivation which may be expected in the early years of the Barrage will come rather from an increase in cultivation of existing occupied lands than any rapid extension of cultivation in virgin soil. The *zemindar* who at present holds 400 acres of which he can cultivate only 100 acres needs to be taught to use all his resources in bringing his existing holding into full cultivation under the new conditions, so that the land he annually cultivates will be, say, 300 acres instead of 100 acres. The question of the provision of funds for this purpose has an important bearing on the proposal for a land mortgage bank for Sind.

Finance will also be required for the clearance and reclamation of the land, and for all the other preliminary expenses of development. The need for the introduction of labour-saving machinery in Sind and also for the installation of pumping plants for lift irrigation has already been referred to earlier in this chapter. Lastly, it may be observed that the problem of agricultural debt, despite the size of the estates and the absence of small holdings, is as acute in Sind as in the rest of the Province and has been aggravated by the floods, frosts, heavy rains, and locusts that have visited Sind during the last three years in succession. For these reasons and in view of the difference in agricultural, social and general economic conditions, we should like to see a separate land mortgage bank created for Sind. If that is not feasible, the central bank for the Presidency will have to open a branch for Sind and appoint a local committee to assist in its working.

118. When a central land mortgage bank is started in the Presidency and it co-ordinates the work of the local societies, it should also establish contact with the special agency for minor irrigation works referred to earlier in this chapter and utilize its services for the extension of irrigation facilities. Important as is the work of reducing the load of indebtedness by direct measures, it has to be undertaken with great caution. From the point of view of national progress, we attach great value to action taken to stimulate increased production and intensified agriculture and we visualize a time when the central land bank will have its own staff for promoting such development. Similarly, we also foresee a time, at a much later stage, when the *tagavi* operations of Government under the Land Improvement Loans Act will gradually be absorbed in the land mortgage credit system. Even at present, these operations are not considerable, and much success has not attended the efforts of Government to popularize the system by entrusting the work of distribution of loans to co-operative agency. At the same time, we do not like to suggest any action which would relieve Government of their responsibility in the matter, and it is for this reason that we recommend Government themselves to take the initiative in constituting a central land mortgage bank and financing its operations at the outset. The only drawback about any eventual absorption of the long term *tagavi* operations in the land mortgage system is that the new agency might not be in a position to grant suspensions freely or to allow partial or full remissions either of principal or interest. Some mutual arrangements between Government and the bank in this respect and the grant of subsidies may, however, provide a solution of this difficulty when the question has eventually to be settled.

119. We would like to refer here to the proposal frequently made for investing the land mortgage organisation with powers of foreclosure, such as are enjoyed by similar institutions in many European countries. Though the Registrar of Co-operative Societies and a few other witnesses supported the view that such powers were necessary, both the Provincial Bank and the Co-operative Institute seemed to hold that extraordinary powers should not be resorted to until by experience the ordinary machinery was found defective. In the absence of actual experience of the working of the land mortgage societies, we would concur in the latter view, particularly as we feel that the grant of powers would from the outset bring this system into discredit as an agency the operations of which might result in expropriating from their lands those who resort to it for borrowings. Rather than depend on powers of foreclosure, these institutions should choose their members carefully and make thorough investigations not only into the title and valuation of lands, but also into the character, repaying capacity and credit position of the borrowers. Another point to which we should like to draw attention is the influence of the partition of estates on the credit of borrowers and their repaying capacity. The value of the

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land, its productive capacity and the income* from agriculture are all seriously affected when, on the death of a borrower, his estate is subdivided and the lands are cultivated separately by the various co-sharers. We realise the difficulty of dealing with this problem by legislation, but we should like the promoters of local land mortgage societies and the authorities of the proposed central land mortgage bank to carry on propaganda among their members to discourage partition of estates, and carefully watch the effects of the sub-division of landed properties on the economic condition and repaying capacity of borrowers. Caution in these respects, scrutiny of purposes, supervision to ensure the proper use of loans, settlement of debts so as not to allow the old creditors to benefit at the expense of their debtors because of the easy terms of finance, rigid insistence on the punctual payment of stipulated instalments except in times of distress, these should suffice to ward off unpleasant consequences, and if defaults still occur, recourse may be had to the ordinary law, supplemented by such special powers as are already enjoyed by institutions registered, as this bank is proposed to be, under the Bombay Co-operative Societies Act.

120. We received no evidence favouring the creation of land mortgage banks on the joint stock principle as distinct from the co-operative organisation sketched above. Some countries have this type of bank as the sole agency for dispensing land mortgage credit, while others have two parallel organisations, the co-operative and the capitalist, functioning side by side. We foresee some danger in a large capitalist organisation undertaking the direct financing of individuals throughout the Province. As the membership of local mortgage societies is open to all holders of agricultural land, it is likely to be urged that registration under Company Law should be refused to any other institutions providing credit on the security of mortgage of land. The contention is that the entire attitude of a joint stock capitalist organisation towards the problem cannot be imbued with the spirit of sympathy for the agriculturist which is essential for the successful working of any system of rural credit, that the borrowers will have no control over its operations and that owing to its anxiety to secure the maximum of profits there are bound to occur conflicts in which the agriculturist, as the weaker party, will suffer. We appreciate the force of these arguments, and, though we do not propose that joint stock organisations should be prohibited from making advances to agriculturists on the security of mortgage of land, we hold that under any banking legislation that is undertaken provision should be made for regulating the work of joint stock banks desirous of entering the field of agricultural land mortgage credit. We also recommend that if such institutions come into existence and issue debentures, no special facilities need be placed at their disposal. The reasons are obvious. The co-operative organisation deserves support because it is subject to all the restrictions imposed by the co-operative law in respect of shareholding by individuals, rates of interest on lendings, distribution of profits, rates of dividend and participation by the borrowers in the control of working.

JOINT STOCK MORT-
GAGE BANKS.

The joint stock organisations, on the other hand, have their operations unfettered by any control and are not subject to any restrictions in respect of rates of interest and dividend, and make no portion of their profits available for the benefit of their borrowers. Not being in touch with and not being amenable to the control of their clientele, their operations may turn out, in the long run, detrimental to the interests of the agricultural classes, who sought their help for getting relief from the burden of mortgage debt or the improvement of their lands, but who may find, on the contrary, their property passing away from their hands. The value of the co-operative land mortgage system consists in its being based on the local society, which possesses local knowledge of character and repaying capacity and may be trusted to see that money is spent wisely and that timely pressure is applied to ensure punctual repayment. These are the essential features of any sound system of controlled credit, in the absence of which banking organisation on modern lines, whether for short-term or long-term credit, may do more harm than good to the rural population.

CHAPTER VII.

MARKETING AGRICULTURAL PRODUCE.

121. We have dealt so far with the problems of agricultural production and credit. We shall now discuss the supplementary question of marketing. When families and communities are more or less self-sufficient, there is little need for the services of markets and middlemen, but with the growth of division of labour and specialization in production marketing assumes increasing importance. Though there has been considerable development of trade in this Province, marketing arrangements need better organisation and financing. We describe in this chapter the existing system of the sale and marketing of agricultural produce and indicate the lines of improvement therein.

122. As there are no regulated markets in this Province, with definite location, rules of business and agencies of control, the word "market" is used very loosely, often meaning only a place or a locality where sellers and buyers meet. There are certain regulations framed and enforced by municipal and other local bodies, but they refer mainly to sanitary matters and the convenience of the retail buyer. Broadly speaking, every village is a market for export and perishable crops, as buyers and sellers meet there and settle bargains. The term is, however, popularly applied only to village *bazars*, and to village, town or city centres where crops of all kinds or of any particular kind are brought for sale. The weekly *bazars* or markets held at villages and towns, which are a common feature of the Deccan, the Karnatak and the Konkan (there are, for example, as many as 42 markets in the district of Sholapur and 50 in Bijapur) are governed almost wholly by custom. The day of the week, the time of holding the *bazar* and often the place in the village have been fixed by custom. If a weekly market is to be held in a new place, the District Magistrate's approval is necessary under the Markets and Fairs Act (Bombay Act of 1860). At such *bazars*, sales are made direct to the purchasers and for cash. Besides local traders, agents of outside merchants, pedlars, put up their temporary booths. Agricultural produce, cattle and articles of domestic requirements such as cloth and bangles, etc., are brought for sale. Thus they are both collecting and distributing centres. In some places, such as Poona, there is a special market for cattle, while markets for fodder, often well organised, are to be found in several towns.

In Gujerat, there are generally no weekly *bazars* or organised markets. All the towns or villages which have ginning factories serve as cotton markets. Sales of cotton take place in the compounds of ginning factories or in railway station yards. At most centres, there are no market places where buyers, brokers and sellers can meet; nor are there market committees or licensed brokers, regulations regarding conduct of sales, customary levies, and such other matters. In Khandesh and the Karnatak, some municipalities like Jalgaon and Hubli have provided open spaces which serve as cotton markets, whereas at places such as Pachora, there is nothing like a market yard and

transactions take place in the compounds of ginneries. Here also there are no market committees or regulations. There are at certain places, associations of traders, brokers, etc., which try to see that the market practices and customs approved by them are enforced. The agriculturists are not represented on these committees and associations.

As regards produce other than cotton, in the case of *gur*, the locality in a town or city where the shops of wholesale merchants dealing in a particular commodity are situated, constitutes a market for that commodity. For other produce there are special sites assigned for marketing. Commission agents negotiate with prospective buyers. samples are shown, prices fixed and bargains struck.

In Sind there are no organised market centres. Shikarpur and Jacobabad are small centres for grain, but even these are not systematically organised. The *zemindars* sell grain to middlemen, such as brokers, *adatyas* and merchants in the local areas as soon as the crop is harvested. Cotton is bought generally by ginning factories or export firms, directly from *zemindars* or through merchants or their own agents.

123. The total value of all the crops grown in the Province has been estimated at an average of Rs. 152 crores of which
VOLUME OF BUSINESS. 65 crores are accounted for by money crops, and 87 crores by food and fodder crops. All the money crops and a part of the food and fodder crops are annually disposed of, either in villages or in market places. The total value of the crops sold may be taken to be not less than Rs. 110 crores. This figure represents only the value of the crops sold by the cultivator. The merchant, however, has to handle crops of greater aggregate value—as there are crops imported from or passing through the Province, such as cotton from Baroda and Berar, and cotton and wheat from the Punjab. The figures regarding the value of crops and marketing, though impressive, do not give an idea of the work and organisation involved in millions of transactions with small producers at thousands of places.

124. Very few marketing surveys have been made in this Province.
MARKETING SURVEYS. In fact the investigations conducted by the Indian Central Cotton Committee into the marketing and finance of cotton are practically the only surveys so far made. Some information about marketing has also been collected in a few villages which were intensively surveyed by us. In the absence of other similar investigations, however, accurate and reliable information for all the important crops in the different tracts is not available. For crops other than cotton we have confined our observations to a few leading features of the marketing of a few crops in representative areas.

125. Marketing conditions vary from tract to tract as regards the same product and even in the same tract, in respect of different products, but some broad generalisations can be drawn for the Province as a whole.
DIFFERENT CLASSES OF CROPS. For the purposes of marketing, the crops can be divided into three classes: (1) Crops, the greater part of which is exported, (2) non-perishable crops which are mostly consumed in the Province itself, and

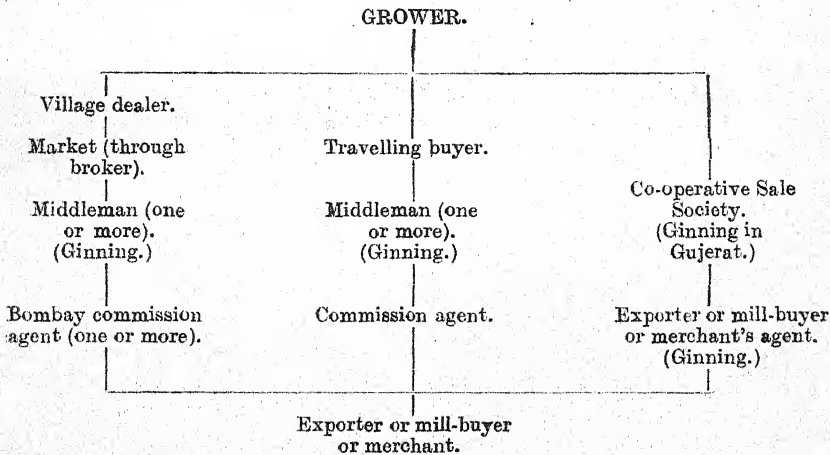
(3) perishable crops which are mostly consumed in the Province. They may, for the sake of convenience, be called "export," "food" and "perishable" crops, respectively.

126. Amongst the export crops, cotton is by far the most important, EXPORT CROPS : covering, as it does, an area of 5 million acres in the COTTON. Province. The Province can be divided into the following six tracts, the division being based on the types of cotton grown therein :—

- (1) North Gujerat.
- (2) Middle Gujerat.
- (3) South Gujerat.
- (4) Khandesh.
- (5) Karnatak.
- (6) Sind.

The investigations of the Indian Central Cotton Committee extended over 1, 2, 4 and 6 only. Our inquiries covered 2, 5 and 6.

The following diagram indicates the channels through which cotton usually passes from the grower to the mill-buyer or the exporter. Variations, however, are numerous, and the number of middlemen is sometimes larger.



127 Sometimes agriculturists sell their standing crops of cotton, but such sales form a small percentage, the maximum METHODS OF SALE. sales, according to the Central Cotton Committee's investigations, having been effected in Sind, where it was found that nine per cent. of the outturn belonging to twenty per cent. of the cultivators was sold in this way. Most of the transactions appear to be of the nature of forward sales, undertaken practically without any knowledge of the position of the cotton crop or the prices current in this country or in other parts of the world. Such sales are undertaken at times because the cultivator is in want of money and at times merely for the sake of speculation. As a rule, the agriculturist sells seed cotton (*kapas*). In North Gujerat, bolls (*kallas*) are sold instead of seed cotton.

In South Gujerat, in some cases, individual agriculturists or groups of agriculturists sell their cotton after getting it ginned. The agriculturist generally likes to sell his cotton in the village rather than take it to a market. This is specially so in Khandesh and Sind where the percentages of village sales to total sales were found by the Indian Central Cotton Committee to be 81.4 and 79 respectively. For Middle Gujerat, the percentage was 51. As regards the Karnatak, the prevailing impression is that only 30 per cent. of the cotton is sold at the village, but the inquiry conducted by our investigator in one village in the "transitional" tract in the Dharwar district showed that as much as 70 per cent. of the sales were effected at the village. This is probably not true of the whole of the Karnatak tract, particularly the eastern portion of it, where large amounts are advanced by the *dalals* to cotton growers. The impression referred to above is probably due to the fact that the middlemen who buy cotton at the village and ultimately sell it in the town market are often themselves agriculturists.

There are several reasons why the cultivators prefer to sell the cotton at the village. Many of them have only limited quantities to sell which may be too small for a cart-load. Sometimes they have no cart of their own and the charges for transport during the marketing season are heavy. If the cotton is taken to the marketing centre, the producer has often to undergo considerable inconvenience, trouble and loss in the unregulated market. It is also found that in the cotton areas, owing to keen competition amongst the buyers, the prices in the village are generally not unfavourable, if an allowance is made for transport and other charges. The cotton may be sold in the village to the *sowcar* or petty merchant, to clear an outstanding account, or to the agent of the outside buyer. In the former case, the price offered may not be favourable to the cultivator, while in the latter owing to competition amongst purchasers from outside he may secure a fair price. We found that sometimes, in anticipation of a rise in the market, better prices were paid in the village than those prevailing at the time in the market. The one great advantage of sales in the village is that the agriculturist can wait for some time and is not compelled to part with the cotton at once. He can hold it over if the price offered appears to him to be low. When, on the other hand, he takes cotton to the market he cannot afford to halt at the place and has to dispose of it at once or leave it with his *adatyā*. In the village he can keep the cotton in his own house if he thinks that he can realise a better price later. Further, disputes about prices so common in the marketing centres are rare in the village.

128. The person to whom the cultivator sells his produce is the *sowcar*,
 the village dealer, the itinerant trader or merchant,
 PURCHASERS. or the agent of the exporting firm or that of a mill.

In Khandesh, the Karnatak and North Gujerat, petty buyers make purchases on their own account. In Middle and South Gujerat and Sind, cotton merchants or gin-owners have their own agents for villages. These agents are, in some cases, especially in Sind, *sowcars* and make

purchases according to the requirements of their principals. There are no intermediaries between the sellers and the buyers at the village, and in a large majority of cases payments are not delayed, except in Sind where the *sowcar* credits the sale proceeds to the agriculturist's account.

129. When the cultivator takes his cotton to a market place, he has

MIDDLEMEN.

to sell it through a commission agent and the prices are fixed between the agent and the seller by finger negotiations under cloth. The cultivator is not actually debarred from settling his bargain direct with the buyer, but owing to his ignorance of business practices he almost invariably prefers to sell his produce through the agent. After the bargain is struck and the cotton is taken to the ginning factory, *vandhas* (disputes) sometimes arise between the buyer and the seller as to the quality of the produce. The buyer offers a smaller price on the plea that the cotton is inferior and the seller being in a weaker position has usually to give in. The commission agent is generally responsible for the payment of the price which the producer almost invariably receives on the spot.

After the seed cotton leaves the hands of the agriculturist, it passes through one or more middlemen and is ginned at suitable village centres or at market places. According to market practices and convenience, mill buyers and exporters buy seed cotton through their own brokers at important market centres, as in the Karnatak, or buy lint from town merchants or commission agents of Bombay firms.

130. The marketing of other export crops, such as wheat and ground-

WHEAT AND
GROUNDNUT.

nut which respectively occupy twenty and ten lakhs of acres, proceeds on similar lines, but the number of middlemen going round the villages and creating a continuous brisk demand is much smaller. The proportion of these crops taken to the market by the agriculturist himself is much larger than that of cotton. For groundnut, every town or village where a decorticating plant is set up serves more or less as a market. The other important point of difference is that there are not as many difficulties in determining the quality of these crops as in the case of cotton.

131. The only other crop to which we would like to refer is tobacco,

TOBACCO.

which is an important export crop in this Province. The total acreage under this crop is about a lakh and a half of acres and a large part of the crop is exported to other provinces. The two principal centres for the sale of this crop are Nadiad in Gujerat and Nipani in the Karnatak.

The following description of the methods of dealing in tobacco at Nipani will give a fair idea of the system of marketing it. It is estimated that the annual tobacco sales in Nipani alone amount to about Rs. 75 lakhs. Growers in this area often sell their standing crop to petty traders. When the crop is ready, the leaves are dried and taken to the traders at the temporary sheds erected by the latter. In these sheds, the tobacco is cured and converted into *janda*, the

form in which it is exported. Some traders take uncured tobacco to the Nipani market and sell it there. In any case, the agriculturist has to wait for payment till the traders get money from the commission agents, to or through whom tobacco is sold in the Nipani market. Traders do not, therefore, require much capital, but if payment by the commission agent is inordinately delayed, they may have to borrow to make payments to cultivators. The rates of interest they are charged vary from 18 to 24 per cent. When *jarda* is sold through commission agents, traders have to allow them credit for 45 days. If cash is demanded by the cultivator, a discount of 4 per cent. is charged.

Wholesale buyers from Calcutta and other centres have to stock the *jarda* for some months before it is retailed to their customers—the *bidi* makers. Sometimes, when they are not in a position to pay even after the period of 45 days, they have to pay interest to the commission agents at 12 to 15 per cent. Commission agents have to pay from 9 to 12 per cent. when they themselves borrow from local bankers. The tobacco crop is thus ultimately financed to a very large extent by the commission agents and bankers of Nipani.

132. Amongst the food crops the most important is *jowar*. It occupies nearly 80 lakhs of acres, i.e., about 25 per cent. of the total net cropped area of the Province in a normal year. The area is the largest in the Deccan and the Karnatak and particularly in the Sholapur and Bijapur districts. *Jowar* is not sold as a standing crop, nor are there any forward sales. The average agriculturist likes to keep at least the quantity that would suffice for the needs of his family and live stock for a year, but he sometimes parts even with this quantity to meet the pressing demands of his creditors. If the *sowcar* belongs to the same village as the cultivator, *jowar* is often sold to him; otherwise, the agriculturist sells it to the dealer at the village or takes it to the nearest weekly *bazar* or market town. In the latter place, the crop is sold through an *adatya* who may be a wholesale buyer or merely an agent. The commission agent shows samples to prospective buyers. Open bids are the rule when the demand is slack. But when the demand is strong, prices are fixed between the commission agent and the buyer. After the bargain is settled, the grain is measured by weighmen who are remunerated either in cash or in kind. If, as sometimes though rarely happens, there is no ready sale for the grain, it is stored in the agent's godown for a few days. When the grain is sold, the commission agent pays the sale proceeds to the agriculturist after deducting his commission and other charges. Commission is charged by the agent both to the seller and to the buyer and the scale varies slightly from place to place.

133. Other food crops are marketed on a similar system, there being some difference in respect of paddy. Purchases of paddy are made by the owners of hulling mills at their factories or at the villages through their agents. Paddy is usually hulled before it is moved to distant places. This hulling is done by the middlemen and not by the agriculturist. For retail

distribution in the respective districts either rice or sometimes paddy is moved from one place to another. In certain parts, as we found in our inquiry in Advisomapur (Dharwar district), women purchase small lots of paddy from cultivators, hull it at home, and sell it at *bazar* or market centres, to consumers or traders..

Once the agriculturist has parted with the food crops, the village or the market dealer tries to keep stock sufficient for sale up to the next harvest season, in the hope that it would realise better prices later. After his own requirements are met or the limits of his capacity to hold are reached, he exports the crop to the *taluka* or district places, where it is stocked or is again exported according to expectations about the future and the holding power of the local merchants.

134. At the most important centres for perishable crops, such as
 PERISHABLE CROPS. Bombay, Poona, Surat, Ahmedabad and Karachi, the trade is in the hands of merchants and brokers who are efficient, but whose methods of business are capable of improvement in the interests of both the consumer and the producer. Having a monopoly of the business they are not anxious to make much improvement. Though some of them belong to the agricultural class, their sympathies are with the wholesale or retail merchants rather than with the producer.

135. Fruit and vegetables are the two principal classes which constitute the perishable crops. Of the former, the
 MANGO. mango is one of the most important and most extensively used fruit in the Province. The Konkan is the most important mango-growing tract both as regards the quantity and the quality of the fruit. Unlike the export and food crops, this crop is sold almost invariably while it is on the trees and sometimes even before it is actually seen in blossom. The crop is usually purchased by "contractors". Part of the price fixed is paid immediately the bargain is struck and the rest is paid by instalments when the crop is gathered. Operations subsequent to the sale, such as watching, picking, etc., are done by the contractor. In the Konkan, south of Bombay, the fruit when ready is roughly graded, but fruits of different grades are not separately packed. In each basket the best fruit is placed on the top and below it is kept inferior fruit. The baskets are despatched to Bombay through an agent. They are handled roughly in transshipment and as much as 20 per cent. of the fruit is often found to be damaged. The commission agent sells the baskets to the wholesale or retail merchants, price being fixed by negotiations under cloth. The agent then sends the proceeds realised by him to the contractor, after deducting his own commission. It is estimated that out of the price the consumer pays for the ripe fruit nearly two-thirds goes to cover the damage, the expenses and the contractor's profits, and only one-third is received by the grower.

136. The process of marketing other fruits such as oranges, grapes and
 VEGETABLES. figs, is not materially different. As regards vegetables, however, the first material difference is that they are not sold as standing crops and no forward sales take place.

At the market place where the crop is taken, it is sold through a commission agent. This business is sometimes concentrated in the hands of a few persons. It may be mentioned that at Poona, which is the market centre for potatoes grown in nearly ten thousand acres in the district, the business of sale on commission is in the hands of half a dozen persons only. Prices in the case of potatoes are negotiated between the commission agent and the buyer under cloth. In the case of other vegetables, no uniform practice is followed for fixing prices at different market centres. At some places, open auctions are held and in others the crop is sold by private treaty, the price being in some instances fixed under cloth. Frequently, the commission agent works both for the buyer and the seller and claims commission from both. As a rule, it is the agent who makes the payment.

137. The total acreage under sugarcane varies from year to year and was about 62,000 last year. Ahmednagar and Poona are the most important districts for this crop. There are practically no sales of standing crops. The agriculturist brings *gur* to the market in his own cart and places it in the custody of a commission agent who passes a receipt for the same. It is not customary for the agriculturist to be present at the time of sale. Usually the agent is the money-lender and frequently a wholesale dealer as well. The money advanced for sugarcane growing is almost invariably advanced on the security of the crop, with a condition attached that the *gur* must be sold through the money-lender. Agents of the seller and the purchaser may or may not be different persons. Sales are ordinarily effected by public auction and by cartloads. Shops of certain commission agents are taken up for holding auctions, one after another, and the agents of the intending buyers go on fixed days to the shops where the auctions take place. Usually, a commission agent gets his turn for auction only once a week. Before auction there is a rough kind of grading by the agent. After it is sold by auction the purchaser's agent, whether or not he is the seller's agent also, takes delivery of *gur* according to the conditions of the bids, and either stocks it locally, or, if the commodity is purchased for an up-country buyer, arranges to despatch it after packing every lump of *gur* in gunny cloth sewn with gunny string. The period of credit allowed to the purchaser varies from 8 to 14 days in different centres. An agriculturist who wants money earlier, has to pay interest on his drawings at 12 per cent. If he is a debtor, the sale proceeds of the *gur* are credited to his account and the surplus, if any, is given to him in cash. The buying unit of weight also differs, it being 250 lbs. for a *palla* of 240 lbs. at Kopergaon and Belapur (Ahmednagar district) and about 205 lbs. for an *atki* of 200 lbs. at Baramati (Poona district), and about 290½ lbs. for a *goni* of 290 lbs. at Sankeshwar. Commission and other charges also vary at different centres; at Kopergaon and Belapur they are the highest and at Sankeshwar the lowest. At Sankeshwar and Belapur *gur* is sometimes purchased on the agriculturist's field by petty merchants, who sell the same in the market. The purchaser does not demand anything extra in weight. In some

cases, discount is allowed to the buyers, as if the agriculturist were selling through an agent.

138. Inspection, sampling and grading are the three means whereby **DIFFICULTIES OF MARKETING.** the buyer can know what he is buying. Inspection requires that the commodity should be seen before sale. No sales can, therefore, take place unless the seller and the buyer meet. In sales by samples, sellers and buyers situated at long distances can complete a sale transaction without actual inspection of the whole quantity offered for sale. Grading would make it possible to sell crop even before they are ready, and irrespective of the distance between the seller and the buyer. Unfortunately, so far as the agriculturist is concerned, the primitive practice of sale by inspection persists. Whatever sampling or grading is done in the course of marketing is done by middlemen—small or big. It is here that generally the danger lies. Adulteration and other practices such as damping, leading to deterioration of the commodity, are not uncommon. It is rarely that the grower is responsible for such malpractices, though it is he who ultimately suffers.

139. One way of avoiding such malpractices would be to bring the **NEED FOR GOOD COMMUNICATION.** producer and the consumer nearer each other than at present. This could be more easily achieved if the means of communication and methods of transport were improved. One of the reasons why the agriculturist does not take his produce to the market is want of good communications. There are some districts where means of communication are fairly satisfactory, but more and better roads are necessary almost everywhere to improve access to the few markets that now exist. The difficulties of transport are serious in Sind, and also to some extent, in Gujerat. It is the absence of good roads, we might say, of any roads at all, in the greater part of Sind which is, to some extent, responsible for the agriculturists being entirely dependent on the village *bania* for the disposal of their produce.

140. The producer's main difficulty arises from the fact that while **PRACTICES FOLLOWED BY MIDDLEMEN.** he is unorganised and has to act by himself, he is confronted by an organised body of distributors and exporters. When their interests conflict, the producer invariably suffers. Striking examples of this are to be found in the rings of vested interests of commission agents and merchants, especially in the Deccan and the Karnatak. These look with disfavour on combinations on the part of producers and try to hamper such efforts by all means in their power, including a boycott. The ring is sometimes so strong that even some of the biggest firms in Bombay are not able to resist it.

Some of the practices followed by middlemen in unorganised markets appear to be based on custom and not on reason. It is difficult to see why prices should be fixed under cloth as is the practice in many of the markets of this Province. Open bargaining would apparently benefit the seller, but the commission agents are opposed to such a change in their traditional methods of sale. Very often the same person works as commission agent both for the seller and for the buyer, and it is natural

that in such cases he should look to the interests of the buyer from whom he gets much larger business than to those of the individual agriculturist. Cases occur, especially in cotton dealings, in which after the price is fixed in the market the purchaser raises objections, when the carts are being unloaded, on the ground of inferior quality and the agent renders no help to the producer. There is no organised, independent body which can settle such disputes and as it is extremely difficult for the agriculturist to reload the cotton and take it back, he has generally to give way and accept the reduced price. Difficulties such as these would naturally be removed, if there were an organisation on which the agriculturists and the buyers are represented.

141. It was represented to us, that the present constitution of the **EAST INDIA COTTON ASSOCIATION.** East India Cotton Association does not provide for the representation of producers on its Board and that, in consequence, the interests of the growers sometimes suffer. An instance which was specially brought to our notice in Dharwar was that Kumpta cotton was not tenderable against Broach hedge contracts, in spite of the fact that Kumpta staple is said to be superior to some of the other varieties of cotton which are tenderable against such contract. It was urged that if the producers were properly represented on the Board of the Association, they would be in a position to remove the alleged grievance. In the absence of necessary information on the subject, we are not in a position to say how far the complaint is justified, but it is obvious that as Bombay is the ultimate market for cotton, operations here have a vital bearing on the prices that the agriculturist gets. We understand that the question of amendment of the Bombay Cotton Contracts Act, 1922, is under consideration. This would, therefore, be a suitable occasion for considering the suggestion to give cotton growers suitable representation on the Board of the Association.

142. The difficulties pointed out above are accentuated by the absence of sufficient storage facilities in most of the marketing centres in the Province. In a few places there is a certain number of godowns kept by commission agents, but generally the accommodation available is quite insufficient. In East Khandesh, for instance, there are very few markets with godown facilities, and, in most of the marketing places, the only storage accommodation available for cotton is in the compounds of ginneries and press factories. This description applies generally to Gujerat and Sind. The position of the agriculturist is thus weakened by his being compelled to sell his produce immediately he brings it to the market. It seems necessary that where godown accommodation is insufficient, stimulus should be given by Government to the construction of warehouses by means of loans on easy terms to approved parties, including co-operative sale organisations. It is not suggested that the holding up of produce for purposes of speculation should be encouraged, but the provision of storage facilities would strengthen the position of the seller so as to give him more freedom in the matter of holding up produce, in case prices are unsatisfactory or disputes arise between himself and the buyer.

143. The other difficulty we would like to mention here relates to the many additional charges that the producer has to pay in some markets. Several other deductions, including contributions for charities, with which the agriculturist has nothing directly to do, are unnecessary burdens on his slender purse though they may be small when taken individually.

144. Some special difficulties in the marketing of fruit and vegetables may now be mentioned, namely, absence of proper packing, rough handling in transit, high freight charges, and the paucity of fruit preserving concerns. The absence of cold storage in the cities to which fruit is sent also causes a considerable amount of loss.

145. A great handicap to satisfactory marketing in this Province is the variety in weights and measures that prevails not only in different districts but even in one and the same district. In West Khandesh, for instance, the maund has a value varying from 40 seers in Navapur to 72 seers in Dhulia. In East Khandesh, where there are at least 16 different values for the maund, the variation ranges from $21\frac{1}{2}$ seers to 80 seers. We find that the *khandi*, which is the basis for the purchase and sale of cotton, varies in Khandesh from 150 to 260 lbs.

The actual weights and measures used are often unsatisfactory. Complaints about the use of false weights and measures were received especially in Sind. While the variation in the value of the weight makes it very difficult for the producer to know and compare the prices he receives for his produce with the rates prevailing in the chief markets, the use of false weights and measures puts him to much unnecessary loss. Market practices are again of such a nature that they place the seller at a disadvantage. The merchant has often a separate unit for buying and for selling. Thus in Poona the merchant's buying unit for *gur* is 250 lbs, whereas his selling unit is 240 lbs. The question about standardisation of weights has been very often discussed, but no definite action has been taken up to now. Early provincial legislation seems to us necessary, but care will have to be taken, as suggested by the Royal Commission on Agriculture, to see that such legislation does not hamper the enactment of all-India legislation on the same subject at some future date.

146. Towards the end of his agricultural operations, the agriculturist is short of money and is usually prepared to part with his produce for meeting his immediate needs. Ordinarily, he has no inclination to defer sale long after his money crops are ready. If, however, he wishes to wait for a few days or weeks, his indebtedness does not, as a rule, come in his way. The enquiries of the Indian Central Cotton Committee indicate that, except in Sind, the cotton grower is not hampered by his borrowings in the disposal of his produce. It is only where he has been financed by his money-lender on condition that the crops must be sold through him, as

happens particularly in Sind, that the cultivator finds his freedom to sell restricted and cannot make the most of his crop. In order that he may be able to do so, he must be free to sell his crops when and where he likes, but he has not this freedom where he has been financed on condition that the crops must be sold through the money-lender.

In regard to food and fodder crops, the position is different. The agriculturist always wishes to keep a year's stock of both. But if he is indebted and cannot meet the demands of his creditor or creditors out of the sale proceeds of his money crops, he is compelled to part with the other crops and, as a result, he has to buy the same commodities later at rates much higher than those he received for them.

As regards the agency through which and the place at which the agriculturist is required to dispose of his produce on account of his indebtedness conditions vary in different parts of the Province. A good deal depends upon whether the money-lender is also a trader or not. If he is, one of his conditions in advancing the loan is that the produce is to be sold through him. In the case of crops like tobacco and *gur*, the condition of sale through the financier is rigidly enforced. If the agriculturist fails to abide by the stipulation, the commission is exacted all the same. The prices that the agriculturist receives from the money-lender, though always a little lower than the market rates, depend on the credit of the agriculturist and on his capacity to understand simple accounts and market rates. These remarks apply with greater force to the aboriginal and other backward classes of people who have to sell their produce only through their *sowcar*. In backward areas, the money-lender may not only give very low prices, but also take more produce by the use of false weights, measures and scales. The debtor is prevented by his indebtedness from going to a better agency and realising higher prices. Improvement in this state of things can be brought about by the provision of better financing and marketing organisations.

147. In the present state of marketing, middlemen are indispensable, and even under an improved system, it may not be possible or desirable to do away with them altogether. They have many drawbacks, but they render quick disposal of produce in small or big lots possible, take risks, arrange for manufacturing processes necessary for marketing, such as ginning of cotton, curing of tobacco, decortication of groundnut, and hulling of paddy, and supply or secure finance as and when necessary. There are, however, two principal defects of the system, namely, that their number is often larger than necessary and that they are not controlled by anything but their own interests. When the number of middlemen between the producer and the consumer is large, the interests of either or both must suffer, as each intervening agency has to be paid its price. There is also another drawback. In most of the marketing centres, the number of middlemen has increased to such an extent that, as a result, some of the unscrupulous amongst them have been forced to resort to certain malpractices in order to eke out a livelihood.

PART PLAYED BY
MIDDLEMEN.

When the same middleman acts for both the purchaser and the seller, he is apt to look more to the interests of the former than of the latter. Even when a direct or indirect check is exercised on the operations of the middleman, it proceeds from the big distributors, exporters or consumers. Being unorganised and, therefore, the weakest link in the chain, the producers cannot bring any restraining influence to bear on them. Malpractices are not confined only to the small middlemen lower down in the scale. The bigger middlemen are also not free from blame. Producers' organisations will check such malpractices and will benefit not only the growers but also the exporters, as they will be able to arrange for the supply of produce in sufficient quantity, of definite quality and at the stated time. Such organisations will also be useful in counteracting the attempt on the part of speculators artificially to depress prices, or at least in setting a limit to their desire for unduly large profits.

148. Crops are said to be pooled when a large portion of a total supply in a tract is collected at central places, stocked for considerably long periods and sold as and when advisable in the light of information regarding the state of supply and demand and the trend of world prices. Such pools do not appear to us to be practical propositions. Pooling together of the produce of agriculturists of a number of villages through a co-operative society or of a larger area through a federation of such societies, for the purposes of offering big lots of a given quantity and quality, for instance of lint, for sale, and for spreading sales over the whole season with a view to obtaining the best average prices, without any speculative intention, *i.e.*, pooling for "merchandising", to use an American word, is being actually done in South Gujerat by co-operative cotton sale societies. Where similarly favourable arrangements prevail, this system deserves to be adopted. It is estimated that the cotton pooled by the abovementioned societies in the year 1928-29 amounted to 16 per cent. of the cotton sold in tracts served by them.

149. Co-operative sale of agricultural produce takes place through sale societies composed of individual members, or through purchase and sale unions, which are unions of credit societies, or through shops and depôts run by central banks. The societies dealing in cotton confine themselves to the sale of that commodity only. Other societies and banks have generally no restrictions in this respect and arrange to sell all such crops as may be found safe and convenient to handle. These organisations work on a commission basis and take no financial responsibility.

It is obvious that such sale organisation cannot make much progress unless the proper personnel both for the managing committee and the staff is available. To this end, it is necessary to attract to these bodies all classes of agriculturists, large and small. Substantial agriculturists usually have a better understanding than the average cultivator and it is easier to bring them into the sale organisation with limited liability than in credit societies with unlimited liability.

The second point that is necessary for the success of the societies is loyalty on the part of its members. In some foreign countries, a member of a sale society is compelled to sell all his produce through the society. It was suggested to us that similar power should be given to the societies here. At present some societies are empowered to levy a fine if a member fails to send his produce to the society for sale. In our opinion it is not desirable to go beyond this and to empower the societies to compel their members to sell their produce through them. It must be remembered that the question of sale is closely connected with the question of finance during cultivation, and unless and until the co-operative organisation is in a position to meet all the needs of its members adequately and promptly, we think it would not be fair to insist on compulsion.

The success of such societies depends also upon the quantity of produce that they get for sale. If they get a fair percentage of the produce coming into the market they can compete with other buyers and get better terms for their members. Pooling is, therefore, a very important item contributing to the success of the sale organisation. Without pooling, sale societies cannot go beyond the stage of the first or second middleman, and cannot permanently overcome the danger of local boycotts. Only if pooling is undertaken can the sale societies aspire to become a potent force in the market. We were told by several witnesses that pooling would not be possible as a cultivator usually wishes to have his produce sold separately. If, however, grading can be arranged, this difficulty will be overcome by securing buyers who would offer better prices for larger quantities made up of lots of the same grade than they would for a limited quantity. If co-operation on these lines develops in the *mofussil* the time will come for the organisation of central sale societies in places such as Bombay or Karachi.

Storage facilities are afforded by almost all organisations on payment of reasonable rent, and advances varying from 60 to 75 per cent. of the market value are given against goods deposited with them. The accommodation available is, however, insufficient. This difficulty was pointed out to us specially in Hubli, the largest co-operative sale organisation in the Province, which has no godown accommodation of its own and has to hire an open space at a very high rental. Much cotton is damaged at Hubli owing to the pre-monsoon showers. We think that societies like these should be given facilities for the construction of godowns, in the shape of loans at easy rates of interest, to be repaid in ten or twenty annual instalments.

The most important and successful co-operative sale organisations of the Province are cotton societies. The cotton sale society in Gujerat sells only members' cotton grown from seed supplied by the society. The cotton is ginned and also half or fully pressed before sale. The price realised is distributed at the end of the season, members getting advances from the society in the meanwhile, if necessary. The cotton sale societies in the Karnatak distribute improved seed, and sell *kapas* after getting it graded by an officer of the Agricultural Department. Each member's cotton is sold separately, usually by auction, but, if

the member so wishes it, by private treaty. Other sale societies and bank shops and depôts sell *gur*, paddy, groundnut, wheat, arecanut, chillis and other produce. There were on the 31st March 1929, 28 cotton sale societies in the Province. Other sale societies numbered 31. The total value of the produce sold through the sale societies and sale unions was Rs. 73,22,578 for the year 1928-29. When the share capital and other funds with sale societies are not sufficient to meet the needs of members, they can raise money from central banks and practically no difficulties have been experienced in this respect up till now. The co-operative sale movement has been very encouraging and gives promise of successful development. As a further step in the marketing of cotton, co-operative ginning factories have been started in Gujerat of which the most successful is the one at Sonsek in the Surat district. The work of these is co-ordinated with that of the sale societies and no difficulty has been felt with regard to the supply of finance. There is a similar demand from the co-operative sale organisations in the Karnatak to start ginning factories at small cotton centres served by them.

150. While co-operative sale can be of considerable use to the **BETTER ORGANISATION OF MARKETS.** members of sale societies, the better regulation and organisation of markets would benefit all agriculturists, both big and small. In this Province, the Bombay Cotton Markets Act (Act XVII of 1927) has been passed for the regulation of cotton markets. Under this Act, Government can, after consulting local authorities, notify cotton markets and appoint committees to manage them. At least half the number of members of such committees must be elected by cotton growers. Rules have been framed under the Act regulating the constitution and powers of the managing committee, prescribing the conditions under which licenses are to be given to brokers, weighmen and measurers, the levy and disposal of fees and the trade allowances which may be received in any transaction. The Act prohibits the establishment of a cotton market within prescribed distances of a market established under the Act. The rules also provide for the appointment of a sub-committee to settle disputes that may be referred to it, either by the committee or by the buyer or seller. If there is any dispute about the price settled, it must be referred to the disputes sub-committee for decision. Only authorised weights and scales can be used in a regulated market.

The Act, if properly worked, is likely to remove many of the difficulties the agriculturists suffer from at present. It seems that so far its provisions have not been applied to any marketing centre, though steps have been taken to make a beginning at Dhulia in West Khandesh. We suggest that the Act may be applied to other important centres at an early date. It would also be desirable that markets should be similarly regulated not only for cotton but for other agricultural produce as well.

151. We have referred in paragraph 142 above to the want of storage **LICENSED WAREHOUSES.** accommodation in the various marketing centres in this Province and suggested that facilities might be given for construction of warehouses wherever they are necessary.

Warehouses would not only allow the produce to be held over, but would also enable the banks to advance on the security of such produce. It has been suggested that if, under proper safeguards, some of these warehouses were licensed and proper measures taken to provide for inspection, it would be possible to create, in the shape of warehouse warrants, a readily acceptable security, as is done in other countries. Even at present, there are certain classes of receipts on the security of which the banks do not hesitate to make advances, such as the warehouse receipts issued by Port Trusts. Railway receipts are also, subject to certain limitations, accepted by banks as collateral security for advances, but they are not freely accepted. The chief advantage of licensed warehouses lies in the acceptability of their receipts as a good collateral security. These licensed warehouses are likely to be made use of for storing manufactured goods and crops like cotton and wheat which lend themselves to standardisation and grading.

The establishment of such warehouses would benefit agriculture, trade and industry, but the success of the scheme will depend on three things : first, upon the efficiency of the management of the warehouses ; secondly, on the strictness of the supervision and inspection exercised by some outside authority, preferably Government and thirdly, upon the reasonableness of the charges for services rendered. The first two are necessary if the banks are to have confidence in the correctness of the receipt. It is obvious that such a system cannot be introduced on a large scale all at once and at many centres, for neither the necessary management nor the inspectorial staff would be immediately available. The feasibility of the scheme in any place will also depend upon the volume of business that it can attract. We, however, attach great importance to the system and think that the scheme deserves to be tried in suitable centres. In the first place, we suggest that the railway administrations should be asked to co-operate in the matter and to have warehouses at selected railway stations where proper control can be exercised ; secondly, it should be possible for local bodies and other organisations, in some of the important centres in the Province to construct and maintain such warehouses, with financial assistance from the Government if necessary, and to get them licensed. Legislation may be necessary for licensing and otherwise controlling these warehouses. Railways may, however, be encouraged to construct such warehouses even before such legislation is enacted. If legislation is passed and the necessary staff provided, we do not see why the system would not be popular. It should, however, be introduced, in the beginning, in a few important centres only.

152. For internal trade finance may be required (a) by the producer and (b) by the middleman. As a rule, the producer does not hold his produce, nor does he undertake such operations as the ginning of cotton or the decortication of groundnut. He does not, therefore, require much finance for marketing his produce. For those agriculturists who wish to hold their produce or to sell it after taking it through a process like ginning, facilities are very inadequate.

At some places, gin-owners make advances on the deposit of seed cotton but the agriculturist has in that case to undergo serious inconvenience and risks. He does not get his turn for ginning if prices rise, and does not receive the same accommodating treatment that a middleman does.

The producer can receive finance for marketing his produce best from co-operative sale organisations. There is no difficulty for members of such organisations to receive advances on the deposit of goods in godowns provided by the latter. There is close connection between finance during cultivation and marketing. If the co-operative organisation fails to supply the finance for raising the crop and the cultivator, in consequence, is forced to have recourse to the money-lender, there is not much chance of the latter bringing his produce to the co-operative sale organisation.

As for the middleman, he gets finance from town merchants, *shroffs* and commission agents. Amongst middlemen may be included village or itinerant dealers for cotton, petty traders for tobacco and rice, and contractors for fruit and vegetables and even small traders at market centres. All these suffer considerably from want of finance on easy terms. The rates of interest they have to pay compel them to offer lower prices and to defer payment. Though long delays in payment are not common for village sales of cotton, there are numerous instances in which payment is not received for several days or weeks. There have been instances of agriculturists not getting payment from the middlemen who were not in a position to meet their liabilities. Better financing facilities are urgently required for middlemen. Their needs can be met adequately by co-operative urban banks or by indigenous bankers, if these are appointed agents of the central banking institution under conditions suggested by us.

The town merchant gets his finance from the local *shroff* or from the commission agent in Bombay and in some cases from a local branch of the Imperial Bank or joint stock bank. Complaints regarding the tightness of the money market in the *mofussil* during the busy season have been general. It is pointed out that for want of adequate and suitable financing arrangements merchants have to part with the produce in stock earlier than they would like to. The resources of indigenous bankers need to be augmented. Bombay commission agents make advances on railway receipts and are in turn financed by local banks and bankers. It was brought to our notice by some firms that banks in the *mofussil* are not as useful to them, during the busy season, as they might be, as the merchants have to make payment after the bank's business hours and it was suggested that the hours might be changed to suit the convenience of trade. The suggestion is worth consideration.

As regards retail trade in commodities such as food crops in towns and cities, we find that small traders find it difficult to obtain finance. If they are well settled in business they may have built up connections with indigenous bankers; otherwise they find it difficult to secure

finance. Co-operative banks should make it their business to establish contact with this class of customers.

The finance of food crops is not so well-organised as that of export crops. Money does not filter down quickly from the top to the bottom in the case of food crops as in the case of export crops. The buyers in some cases are small and scattered, the offtake is slow and consumption is spread over long periods. Finance is, therefore, required throughout the whole year and unless a suitable financing machinery is devised there will remain the constant fear of a glut during the harvesting period and of a rise in prices thereafter.

153. For external trade exporting firms and merchants obtain finance

from exchange banks usually on the deposit of documents of title. There is a complaint that such exporters get certain facilities from exchange banks, for instance, advances on the security of a mere letter of hypothecation of goods lying in the *mofussil* and that they are, therefore, in a position to compete against Indian firms of standing who do not get similar facilities from exchange banks or even from the ordinary joint stock banks. We did not examine any representatives of the exchange banks, but it seems to us that as these banks draw a large amount of money from this country by way of deposits. Indian firms have a claim on their resources. We therefore suggest that the Central Committee, which will deal with the question of exchange banks, may examine this subject.

154. Most middlemen—small or big—have some capital of their

PART PLAYED BY
DIFFERENT CLASSES
OF BANKS, BANKERS,
MONEY-L E N D E R S,
MERCHANTS AND
DEALERS.

own. Thus village *sowcars*, dealers and petty traders are responsible for a small portion of the finance required for the marketing of crops. The source of a major part of the finance for internal trade in crops is to be found in *sowcars*, commission agents and *shroffs* from market centres and towns. The commission agents in the Karnatak and gin owners in Gujerat advance large amounts to agriculturists, especially in the Karnatak, on the understanding that the produce will be sold through them. Some of this business has passed into the hands of co-operative urban and central banks, branches of the Imperial Bank of India and joint stock banks in the *mofussil*, wherever they have been opened some business has passed into their hands.

155. There is one direction in which banking, adequately developed

PREVENTION OF
AVOIDABLE MOVE-
MENTS OF MONEY.

and organised, has great scope in connection with marketing in the *mofussil*. Besides providing the necessary finance for marketing, banking can and ought to stop avoidable movements of money. Dealings in *hundis* between merchants of different towns and to a small extent the system of Government supply bills have been serving this purpose to a limited extent. Receipts on account of Government dues or the sale of goods to agriculturists cannot, during the harvesting season, be anywhere near the amount required for buying the crops. Large amounts of currency

notes and coins have to flow to the district and *taluka* places and thence to the village during the agricultural sale season. A part of this flow can be avoided if there are sufficient banking facilities within easy reach of the agriculturists and the persons with whom they have to deal. If there were suitable organisations, the credits and debits of the agriculturist and his *sowcar* or his society could be cancelled by book entries and much less cash would have to travel to and back from the village. From this point of view the existence of Village co-operative credit societies and sale societies with the common link of central banks, is of very great importance.

CHAPTER VIII.

INTERNAL TRADE.

156. In the preceding chapter we have dealt with the existing organisation of the internal trade of the Province in agricultural produce. We have pointed out the need for cheap and rapid means of transport, for the establishment of organised markets and licensed warehouses and for the extension of credit facilities. In the next chapter we will discuss the problem of small industries in the Province. We deal in this chapter with the question of inter-district trade in articles of merchandise other than produce, inter-provincial trade in goods of all description imported from the ports or other parts of the country, and the movement of goods other than produce intended for export ; in short, operations with which the wholesale and retail dealers in the Province are concerned.

157. It is essential to have an idea of the volume and distribution of the internal trade of the Province before we examine its organisation and the credit facilities available for it. In this connection also we have to deplore the want of statistics. As the latest figures regarding rail-borne trade are not forthcoming, we have to fall back upon the returns for the year 1921-22. Out of date as they are, these statistics are further deprived of their importance as only quantities are given and not values. Moreover, allowance will have to be made for the fact that these statistics relate to the operations of what was a period of boom. They would, nevertheless, serve to illustrate the importance of this Province as the commercial emporium of India, the strain on the financial resources of which must necessarily be very great.

During the year 1921-22 the Presidency imported by rail goods worth Rs. 78 crores from the other parts of the country, exporting in return goods worth Rs. 80 crores by rail. The coastal trade figures for imports and exports for the same year were Rs. 44 crores and Rs. 36 crores respectively. A part of the imports was for the purpose of export abroad, while a fairly large proportion of the exports from the Presidency represented imports from foreign countries. The following table shows the total imports and exports in maunds :—

			Exports.	Imports.
			Maunds in lakhs.	
Bombay Presidency including Bombay Port				
(exclusive of Sind)	..	..	310	990
Bombay Port	..	..	180	470

Statistics for Sind are not included, the only available returns being the combined figures for Sind and British Baluchistan for the year 1921-22.

The principal articles of the export trade of the Presidency proper by rail were Indian yarn and piece-goods, metals, grain and pulse,

provisions, oils, salt and tobacco, while the imports consisted principally of raw cotton, grain and pulse, oil-seeds, coal and coke, provisions and sugar.

The following statistics gleaned from the trade returns for the same period are useful as indicating broad tendencies. The value of the total rail-borne trade between the eight internal blocks* into which the Presidency was divided amounted to Rs. 81.2 crores, distributed among the different blocks as under :—

	Rupees in crores
Bombay Port	35.3
Gujerat and Kathiawar	11.6
Konkan	7.3
Deccan, including Bijapur	19.4
Karnatak, including Southern Maratha Country States	5.9
Goa	1.7

These figures include agricultural produce, raw material as well as manufactured goods. The principal manufactured goods—including imported goods—in which there was a brisk internal trade were piece-goods, copper sheets and manufactures, brass sheets and manufactures, and kerosene oil.

158. The organisation for internal trade within the Province is not

different from that of the internal trade in
 ORGANISATION. agricultural produce, described in Chapter VII.

Articles of merchandise (other than agricultural produce) in daily demand, such as tea, sugar, kerosene, yarn and piece-goods, are purchased by dealers in the interior from wholesale merchants in Bombay or in the other important centres of business, imported goods being handled on landing either by the large importing houses having their agencies in Bombay and up-country or by agents for the buyers at the port. Commodities imported from abroad pass from the banks through whom credits are opened, or from the importing houses, to the wholesale dealer in Bombay or Karachi; the wholesale merchant in turn sells the goods to the local or *mofussil* retail merchant, the transaction taking place in most cases through the agency of a commission agent. From the *mofussil* merchant the goods pass on to the village trader and thus penetrate the remotest corner of the country. The organisation is practically the same for the internal trade in indigenous manufactured goods with this important difference that the organised banks play little part in financing the trade and there is no bonded warehouse as in Bombay and Karachi. We may illustrate the existing arrangements by taking the most important constituent of the internal trade of the Province, *viz.*, piece-goods, foreign imported as well as Indian.

*These were 1. Gujerat and Kathiawar, 2. Konkan, comprising Thana and Kolaba. 3. North Deccan, comprising Nasik and East Khandesh. 4. East Deccan, comprising Ahmednagar, Sholapur and Bijapur. 5. West Deccan, comprising Poona and Satara. 6. Southern Maratha country, comprising, besides the Southern Maratha States, Dharwar and Belgaum. 7. Goa. 8. Bombay Port.

159. Only a few merchants have direct connections with the manufacturers or shippers. The majority of them buy through importing firms. Some of the importing firms get accommodation from the exchange banks.

TRADE IN IMPORT-
ED PIECE-GOODS.

Credit for such importers is opened by the bank which takes a deposit in some cases. This line of business has been practically monopolised by the exchange banks. The usual form of credit is the documentary credit which is an authorisation by the importer to a bank to make advances to the exporter on presentation to the bank of the bills of exchange and complete shipping documents. These documents may be surrendered either on acceptance or on payment according to the arrangement made. Bills are accordingly drawn by the exporter D. A. (documents on acceptance), or D. P. (documents on payment), payable with interest from the date of the bill to the approximate date of arrival of the remittance in London. The shipping documents go to the banks with the bills and they hold the goods until delivery to the consignee or his agent. The banks used to allow piecemeal delivery freely, but, we understand, recently piecemeal deliveries have been practically stopped. If the consignee needs funds for taking delivery of the goods, he is given a loan against the security of the goods up to twelve months or even longer. Piecemeal clearance of goods is, however, allowed in cases in which the importing houses finance the merchants. Goods are usually stored in the Port Trust warehouse and the delivery order is given by the importing firms. The existence of the Port Trust warehouses, coupled with that of the well-organised system of credit given by exchange banks and importing houses, has resulted in the adequate financing of the trade in imported goods and there does not seem to be any demand for greater facilities. The wholesale merchant who buys the goods sells them to the retail merchant through a commission agent. The commission agent is responsible for payment which he makes at his convenience. Often a period of three days is allowed for payment; in some cases a week is allowed; after one week interest begins to run. The wholesale merchant has to raise funds himself to enable him to give credit to the small trader.

160. The organisation of the internal trade in Indian piece-goods presents a different picture. The rail-borne statistics for 1921-22 for the Presidency show that, besides

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PIECE-GOODS.

Bombay Port, the two blocks of East Deccan and Gujerat and Kathiawar had a brisk internal export trade in piece-goods, the production mainly of the Sholapur and the Ahmedabad mills. In that particular year, the total internal trade in piece-goods was valued at nearly Rs. 5 crores. In connection with this side of the piece-goods business, we have to note the existence of a system of salesmanship known as the guarantee broker system. The guarantee broker deposits with a particular mill a fixed amount and he is granted credit generally up to four times the amount of his deposit. He has to find a purchaser, or the mill finds one, and the guarantee broker guarantees payment to the mill by the wholesale merchant, though he does not purchase the goods himself. The wholesale merchant is financed

generally by the Bombay *shroffs* or by the *dalals* through whom he purchases goods. Some of them are allowed clean credit by the banks, having regard to their financial standing, and they in turn allow facilities for payment to the *mofussil* or retail merchants to whom they sell the goods. The *mofussil* retail merchant generally buys through a commission agent who gives him credit. In cases in which he is not granted credit, the *shroff*, or the *sowcar*, is the only refuge.

There are thus two factors which distinguish the organisation of internal trade in Indian piece-goods from that of the traffic in goods imported from foreign countries—want of warehousing facilities at important centres such as Bombay, Ahmedabad and Sholapur, and want of an organised credit system suited to the requirements of the small traders. Further, the railway receipt has not the same trade-character as the bill of lading. Although railway receipts are freely transferred and advances are ordinarily made against such receipts as collateral securities, they have not the same negotiability as bills of lading.

The internal trade in sugar and kerosene oil is also well-organised, but the organisation in respect of other commodities is not so good as that of piece-goods. The agency for distribution is somewhat similar, but we find that warehousing and credit facilities are inadequate. In the following paragraphs we propose to describe more fully the credit facilities and the instruments of credit that are in use.

161. The business in regard to imported goods is, in the first instance, financed by the importing houses, but after the goods are delivered into the hands of the dealers, payment is made either in cash or from the proceeds of loans raised in the *bazar* or from the banks. Clean credits and overdraft facilities are in some cases allowed by the exchange banks, and the local dealers generally allow credit for two or three months to the up-country merchants. Often it is the *shroff* who purchases, on account of his *mofussil* constituent, articles such as yarn, piece-goods, sugar and bullion, paying the price of the goods to the seller in Bombay or Karachi and recovering the amount from the constituent after the goods are delivered to him. The exchange banks are not interested in the trade in indigenous manufactured goods. The wholesale merchant obtains credit from the manufacturer in some cases; where he does not get credit, he has to resort to the *shroff* for the necessary finance. Sales to retail merchants are generally made on credit; in other cases, the *mofussil* merchant has to make cash payment and he approaches the local *sowcar* for financial accommodation. The *mofussil* merchant distributes the goods to the village traders with whom, in most cases, he has a running account. Interest is paid on the daily balance and accounts are usually cleared once a year.

The advance by the *shroff* is made either in the form of a loan on *khata* account, or by discounting *darshani hundis* accompanied by railway receipts. In most cases the *shroff* acts as commission agent also. He pays in advance to his constituent from 75 to 90 per cent. of the value of the goods against railway receipts, the balance being adjusted on sale

of the goods. The value of the purchase of one consignment is set off against the sale of another through the same *shroff*. The advance by banks, whenever given, is against a promissory note or pledge of goods. Advances are not given freely by the banks against railway receipts. It is necessary that respectable merchants should receive accommodation against railway receipts for goods.

The negotiable instrument commonly used for the settlement of accounts is the trade bill or *hundi*—mostly *darshani hundi*, which is payable on demand but for the payment of which a few days grace is often allowed at some places. The purchaser makes payment by purchasing in his town *hundis* payable at the place of the sender, but if such *hundis* are not available, he secures and sends the seller *hundis* on Bombay where every merchant has business connections. While in some cases, the *hundis* represent real movement of crops, in several cases they represent loans given to the merchant or trader by the indigenous banker. Similarly, the *shroff* finances the seller by advancing certain percentage of the value of the goods. Such advances are sometimes made against the security of goods. Godown facilities are sometimes available in gins and presses. Trade bills drawn by sellers on buyers are not in use. Acceptance credit for the purposes of internal trade is not developed in the Province. It would help the individual trader considerably if his bills in respect of good outstanding accounts were readily discounted and converted into cash as is done in other countries. This is a question of such vital importance for the development of trade that we propose to deal with it at some length in Chapter X, in connection with the question of cancellation of debts by means of negotiable instruments.

As regards movement of articles of export other than agricultural produce, there are few industries in the Province producing manufactured goods for export. What little export there is, such as that of gold thread, mill piece-goods, hides and skins, and oil cakes, is generally financed by the shippers. Where consignments are sent on the manufacturers' or traders' account, finance is provided mostly by the indigenous bankers, also in a few cases by the Imperial Bank of India, or other joint-stock banks, up to the port.

Interesting side light is thrown on the method of financing the internal trade of the Province by the intensive inquiries made by us in the Dharwar district. These inquiries show that the arecanut and the chilly trades were mainly financed by indigenous bankers. They ascertain the merchant's credit, advance to him a portion of the loan and pay the remainder by drafts on the Imperial Bank's branch at Hubli or by registered insured post. Interest is charged at rates varying from 9 to 12 per cent., but the borrower is not allowed to repay the loan before the fixed period. If he makes payments towards the loan before the date of maturity, he gets no credit for the amount and no remission of interest. Such repayments are, however, treated as deposits and interest is paid at a rate lower than that charged for the advance, generally about $4\frac{1}{2}$ per cent.

162. We find that, on the whole, merchants and traders interested in the movement and distribution of merchandise in the principal cities and important trade centres in the *mofussil* are well served by the indigenous bankers. Better warehousing facilities and better financial accommodation are, however, needed. It has been often represented to us that the mercantile community is averse to pledging its stocks with the banks. Apart from the rigidity of the regulations governing the advances made by banks against the security of goods in their godowns or in the godowns of the borrowers, the publicity given to such advances deters many a merchant from obtaining financial assistance by pledge of goods. Such prejudice would be overcome if, as suggested in the last chapter, there were licensed warehouses in the interior of the country the warrants of which can be freely transferred and made over to banks as collateral securities for loans, thus obviating the necessity of giving possession of goods or charges of godowns to the banks. The need for licensed warehouses is, therefore, as great from the point of view of the growth of the internal trade of the Province in imported and manufactured goods as it is from the point of view of finance of agricultural produce. The establishment of such warehouses will make it possible for the Imperial Bank and the joint-stock banks, and particularly the urban banks, to extend credit facilities to a large class of merchants and traders, who now necessarily remain outside the sphere of their business.

163. For the small trader, shop-keeper or artisan the question is one of great difficulty. He is not able to offer any security acceptable to a bank and his credit is not such as to induce a *shroff* to deal with him direct. Co-operative societies for weavers and artisans and a few urban banks render at some places useful service in this direction, but the number of such institutions is very limited. Usually, therefore, the *sowcar* is the only source from which credit flows, but the rate of interest he charges and the deductions he makes greatly handicap the borrower. Having no tangible marketable security, the retailer or the small trader is not a customer with whom a commercial bank may be expected to develop business relations. It is essentially a matter for the co-operative institutions to develop such credit.

164. There is a general complaint that the deposits collected by the branches of the Imperial Bank and other banks in the *mofussil* are diverted to their head offices and utilised for investment in other centres, such as Madras and Rangoon, where there is usually a demand for money, at rates of interest higher than those obtainable in the Bombay circle. It is urged that the local investments of such branches represent only a fraction—in some places an insignificant fraction—of the deposits tapped locally and that even during the busy season the money raised locally is not used for financing local requirements. This is not a complaint of recent origin. It has been

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TRADERS AND ARTI-
SANS.

COMPLAINT REGARD-
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CENTRES.

preferred from time to time in all parts of the world in a general way against the joint stock banking system. For instance, a somewhat similar complaint was made to the Committee on Agricultural Credit appointed in the year 1922 to enquire into the adequacy of the credit facilities available for agriculturists in Great Britain. It was urged that owing to the disappearance of the old country banks and their absorption by the big joint stock establishments whose policies were directed from London, on more or less rigid lines, there was a growing tendency for the banks to divert the deposits received from rural areas to urban areas and monopolised by the banks for commercial and speculative purposes at home and abroad. It is, however, a feature of the joint stock banking system to spread its activities over a wider area and a greater range of industries than is the case with private banks. Credit in rural areas is, in consequence, apt to suffer to a certain extent. We have not been able to get figures showing deposits received and advances made at the different branches of the different banks in this Province, but it seems to us that there is much truth in the statement that the capital of the rural areas and *taluka* towns is drained away to other centres of business in or outside the Province.* This constitutes a serious defect in the existing credit system. We recognise that to suggest that banking should be carried on in water-tight compartments and that the deposits of a particular district should be utilised for that district only would be equivalent to restricting the utility of credit institutions and striking at the root principles of banking. Money will flow where there is a demand for it and the *raison d'être* of some of the branches is merely to tap the sources of savings at centres where there is no trade worth the name and to serve as feeders to the head office. However, the diversion of loanable resources to principal cities while the internal trade needs facilities is, in our opinion, detrimental to the interests of the trade and industry of the Province. We find that the Imperial Bank has been recently investing some proportion of the deposits obtained by its branches in advancing business in the same locality. The development of such business is a factor of considerable importance and we trust that in future it will always be kept in view. If it is desired that banking in India should advance, it should be the policy of the central banking institution to see that funds collected in different provinces are properly distributed according to the needs of each. With a view to ensuring that such a policy is duly followed, it would be desirable to collect and, if possible, publish periodically statistics regarding the total deposits received and the total advances made by the different banks in different areas.

* Since we wrote this we have received statistics from the Imperial Bank of India showing that during each of the three years 1927, 1928 and 1929 the sums transferred to the branches of the Imperial Bank in the Bombay circle by the local Head Office largely exceeded those transferred by the branches to the Head Office, the total for the three years aggregating Rs. 132 crores against Rs. 73 crores. While these figures show that the Imperial Bank of India supplies funds at *mofussil* centres where money is required for financing and moving crops or other merchandise, they give no indication of the actual position as regards deposits drawn from and advances made at the different branches.

The main difficulty of the Bank is that the stock-in-trade of shop-keepers and small traders or artisans is no security. As regards merchants, small or large, their prejudice against pledging their stocks to the Bank as security militates against the establishment of close business relations with them. The Bank can, therefore, reach them only indirectly through the urban banks or *shroffs*. As a matter of fact, the *shroffs*, who are financed by the Bank, are the conduit pipes through which the Bank's resources flow to some of the centres of business in the Province. For instance, the bills which the Bank discounts for the Multani *shroffs* are mostly from Cutchi Memon merchants who finance trade all over the western side of the Presidency and beyond it. Goods are purchased by these merchants with funds remitted from Bombay obtained direct in some cases, but mainly through *shroffs*, from the Imperial Bank or other banks. It has been pointed out to us, however, by the other indigenous bankers that in times of financial stringency they are very greatly handicapped in financing the internal trade of the Province. They complain that while they receive very little credit facilities from the banks, the sources of replenishing their working capital are drying up owing to the competition of the branches of the Imperial and joint stock banks in attracting deposits from the investing public in the *mofussil* towns, particularly owing to the activities of the Post Office in regard to postal cash certificates. Our survey in Dharwar revealed that the capital which indigenous bankers used to draw from the district for the finance of internal trade had diminished in recent years owing to the tendency of salaried and other people to invest in postal cash certificates or to deposit their money with the Imperial Bank instead of with the indigenous bankers as before. Without statistics we are not in a position to say how far the deposits received by the indigenous bankers have been affected by the activities of the banks and the Post Office, but we mention this fact to show that not only traders and merchants but also indigenous financiers require additional credit facilities for the development of the internal trade of the Province.

165. Our recommendations concerning the small trader, shop-keeper and artisan and the recommendations we propose to make presently regarding consumer's credit cover persons engaged in miscellaneous occupations. We have, therefore, no special suggestions to offer under this head.

166. Consumer's credit refers to loans of money or sale of goods on time to individuals who use the money or the goods in satisfying their daily wants. Such loans are usually of small size and are contracted by people of small means who have no tangible assets against which they can be given credit facilities by banking institutions. Under the modern banking system, consumer's credit, as distinguished from investment and commercial credit, has been generally neglected in all countries. In India also this branch of credit has been little developed. A certain amount of trade credit is extended by retail merchants and dealers, but there are few organised institutions dealing in this class of credit. We are aware of the efforts made by the

co-operative movement in organizing the consumer, but there even the surface has not been scratched. At the close of the year 1929, there were 35 consumers' societies, of which 4 were recommended for cancellation. These, we understand, have not so far been successful. In his annual report for the year 1927-28 the Registrar of Co-operative Societies observes: "In the ordinary Indian household there is no systematic plan of expenditure and most people, rich or poor, have got into the habit of buying on credit. Credit is the rock on which most of the attempts at organising efficient concerns are shattered". No wonder, the co-operative movement can make no headway and the field is left to be monopolised by private agencies, such as the shop-keeper and the money-lender, who often exploit the classes of society which can ill afford to be exploited. Most of the salaried classes in cities, *mofussil* towns and villages receive goods on credit from the shop-keepers, settling their accounts generally once a month. An organised institution, which would supply goods on credit is undoubtedly necessary to meet the needs of these people. The co-operative stores are, however, run on the basis of cash payment. The best course for the consumer, no doubt, is to buy for cash and not on credit, but circumstances arise when it is necessary for him either to borrow money or to buy his requirements on credit. Co-operative credit societies seem to us to be the best means of helping such men. The field for such work is great, and the risk of loss slight.

167. In connection with the question of consumer's credit a suggestion has been made for the introduction of authorised pawn-shops. Loans obtained by poor people on pledge of jewellery and gold and silver ornaments are transactions of daily occurrence all over the Province. Household utensils, furniture, clothing and other articles of daily use are also pledged and accepted as security. It is suggested that the needs of small borrowers against the security of such articles would be better met if there were pawn-shops run, under certain regulations, by Government or co-operative societies or pawn-broking companies. We do not approve of the suggestion, because we think that it will be an additional temptation to excessive borrowing and may lead to expenditure on undesirable objects.

168. A recent development of consumer's credit is the introduction of the hire-purchase system. Motor cars, typewriters, furniture, costly books, etc., are sold on the instalment system. The system is, however, mainly confined to the big cities and towns, and has not spread to an appreciable extent to the urban and rural areas. Its extension would help a very large section of the people to a considerable extent.

Two limitations, however, may be pointed out: (1) the hire-purchase system can be successful only in the case of persons of known and sure credit, and will, therefore, be largely confined to the salaried classes and other persons with fixed income. Persons with fluctuating or uncertain income will not get the full advantage of it, (2) an unregulated

development might result in the creation of a multiplicity of hire-purchase institutions, giving facile credit on a profuse scale with all its accompanying evils. This might result in cases of default and the whole movement might receive a set-back. It is necessary, therefore, that there should be close co-operation and co-ordination between the different hire-purchase institutions, so that the individual may not be given more credit than is warranted by his repaying capacity. With these precautions, the extension of the system would make it possible for the middle class population to utilise their individual credit more effectively than at present.

CHAPTER IX.

INDUSTRIES IN THE PROVINCE.

169. In this chapter we propose to deal with the organisation and finance of industries in the Province, with the exception of cotton mills, which are outside the scope of our enquiry. The question of industrial development has a peculiar significance in this country where, owing to climatic conditions and the prevailing system of tillage, agriculture does not offer employment for the whole of the year except in tracts where irrigation is available. For a very large number of cultivators there is no work on the fields for at least two to four months, the duration of enforced idleness varying according to local conditions and the size of the holdings. The problem is twofold: (1) there should be suitable secondary occupations which the agriculturist can take up during the spare time at his disposal without having to give up cultivation, and (2) there should be industries in which a portion of the population that cannot be supported by agriculture may find employment.

170. In addition to 192 cotton mills concentrated chiefly in Bombay city, Ahmedabad and Sholapur, there were 1,306 INDUSTRIES. factories, governed by the Indian Factories Act, working in the Province in the year 1928. Of these 1,239 were private factories giving employment to 109,449 persons and 67 Government factories employing 27,206 workers.

The distribution of the private factories was as under :—

PRIVATE FACTORIES.

Description				Number of Factories
Textiles other than Cotton	..	..	..	16
Engineering	..	..	..	132
Minerals and Metals	..	..	..	14
Drink and Tobacco	..	..	..	161
Chemicals, Dyes, Dyeing and Bleaching, Match Factories, Mills, Oil Mills, etc.	..	..	..	104
Paper and Printing Presses, etc.	..	..	..	81
Processes relating to Wood, Stone and Glass	..	..	..	24
Processes relating to Skins and Hides	..	..	..	4
Gins and Presses	..	..	..	688
Miscellaneous	..	..	..	15
Total				1,239

The principal industries in the Province allied to or supplementary to agriculture carried on on a small organised factory basis or by individual artisans are : Rice pounding and husking, milling, baking, grain parching, flour grinding, cotton ginning and cleaning, wool ginning, cattle breeding, milk, butter, cheese and ghee making, sugar refining,

gur making, jams and condiments making, tobacco making, rope, twine and string making, and toddy drawing.

Among the other small industries carried on on a small organised factory basis or by individual artisans may be mentioned:—cotton ginning, cleaning, pressing and baling, cotton spinning, sizing and weaving, wool spinning and weaving, carpet weaving, silk spinning and weaving, tasar and silk industry, dyeing, bleaching and calico printing, lace making, gold and silver thread industry, silver and fancy work, embroidery work, working in metals, iron industry, brass and copper vessel industry, tanning, leather dressing, leather articles manufacture, shoe making, ceramic industry, brick and tile making, wood industry, ship building, stone cutting and dressing, quarrying and mining, stone carving, match manufacture, dye and ink industry, oil industry, soap making, tailoring, washing, paper making, printing and book binding, jewellery, toy making, glass industry, manufacturing glass bangles, ivory industry, sandal wood carving, lacquer work, charcoal making, rope, twine and string making, coir making, working in bamboo and cane, basket making, mat making, fishing, catechu boiling and bone mills.

Figures regarding the number of men engaged in these industries are not available.

We select three typical small industries to illustrate the organisation and methods of finance of industries generally in the Province.

171. The most important cottage industry of this Province is handloom weaving. According to the Census of 1921, **HANDLOOM WEAVING.** the total weaving population, excluding those working in factories, was 3,06,662 of whom 1,43,865 were actual workers. There are about 1,000 weaving centres in the Province employing on a rough estimate nearly 80,000 handlooms. 40 important weaving centres, including places like Yeola, Surat, Sholapur, Ilkal and Gadag, had 33,705 throw shuttle-looms, 20,390 fly-shuttle looms, and 3,500 Hattersley looms at work, daily producing goods worth Rs. 1,24,850. Further, the industry is strongly placed so far as designs and higher counts are concerned, while even with regard to the production of coarse cloth or medium yarn, it is maintaining a plucky fight against the competition of machine-made goods. This competition is, however, getting keener day by day and weavers producing articles of counts between 10 and 40 are finding it difficult to withstand it. We were informed in Hubli that the introduction of fly-shuttle looms had led to over-production and that this had affected the weavers adversely in one way as the demand for the goods turned out by them was limited. It is difficult for weavers to make any headway as they are very conservative and do not change their patterns to suit the changing tastes of the public.

Handloom weavers may be classified into three main divisions on the basis of organisation: (1) independent weavers who work at home on their own looms and have sufficient finance for purchase of yarn, (2) dependent weavers perpetually in debt either to a dealer in yarn or a *karkhandar* and relying on him for supplies, and (3) *karkhandars*

or *entrepreneurs* with a group of 8 to 10 or more weavers, working under their personal supervision. The dependent weavers form about 75 per cent. of the whole group, the independent weavers 20 per cent. and the *karkhandars* 5 per cent.

The financial needs of the *karkhandar* and the independent weaver are identical except that the former needs daily finance on a larger scale and has to maintain the weavers working in his factory during the period of production. At present, both these groups of workers receive yarn on credit subject to the condition that the manufactured goods should be sold through the lender.

Finance is also needed to meet the capital requirements of the industry, such as purchase of new looms, replacement of old ones and introduction of improvements. The independent weaver who wishes to realise cash sells his goods mostly to the merchant either through the local *dalal* or direct and only in a few cases to customers direct. The *karkhandar* has similarly to sell his goods through an *adatya*; if he prefers to sell them himself he often finds that purchasers of his goods insist on credit for a month or two during which period he has to find financial accommodation from the *sowcar* at heavy rates of interest. The problem of the dependent weaver is more complex. Where he does not work on his own account, he is paid by piecework and his income generally ranges from Rs. 15 to Rs. 20 per month. The skilled, fine worker gets about Rs. 30 per month.

The main drawbacks of the existing organisation of the handloom industry, from the weaver's viewpoint, are :—

1. High price of raw materials;
2. Low price for manufactured goods owing to forced sales and absence of marketing facilities, and
3. Inadequate and costly finance.

These defects can be removed if the independent weaver and the *karkhandar* are given loans on easy terms for purchase of raw materials and working expenses during the period of production against the security of finished products. Those who benefit to-day are the middlemen and the *sowcar*; and only the elimination or modification of their operations can bring about an improvement of the industry and the condition of the weaver. The dependent weaver will have first to be rescued from his state of helplessness before he can be given credit facilities.

Cheap finance alone will not solve the weaver's problem. Introduction of improved appliances and methods such as use of fly-shuttle slay would increase the amount of the output. In these directions the Department of Industries has been doing useful work. By opening weaving schools at important centres it has helped in popularising improved appliances among the weaving population. As the result of such activities 13,581 fly-shuttle looms have been introduced in various parts of the Province. There is, however, still considerable scope for an extension of the activities of the Department in this direction, particularly in carrying on propaganda concerning the types of cloth which would have a ready sale.

Marketing facilities are also necessary. We are of opinion that there should be a district industrial association which may provide to the weaver cheap raw material and at the same time undertake to find the best market for the weaver's finished products and which may also undertake the work of education and propaganda, hold fairs and demonstrations and co-operate with the Department of Industries in the inauguration and supervision of weavers' schools and the introduction of technical improvements. We would suggest that such associations may be tentatively started on a co-operative basis in three or four important places. Funds may be supplied by members and may be supplemented, if necessary, by loans from the central banks or Government and also by grants-in-aid from Government. With a view to ensuring co-ordination of effort and efficiency the weavers' co-operative societies may be affiliated to these organisations. Although we have suggested that such associations may be started on a co-operative basis, we do not think that they will be successful unless there is the closest co-operation between them and the officers of the Department of Industries. The experience of a few weavers' unions now functioning goes to show that active help will be necessary from the officers of the Department of Industries, not only for propaganda but also for running the business side of these associations. In the initial stages these organisations are likely to work at a loss. Hence financial assistance from Government will also be necessary until they are in a position to develop their business sufficiently to be able to work at a profit. Eventually, however, these organisations, if they are to be really useful, must be able to function without such assistance.

172. The manufacture of gold and silver thread is essentially a luxury industry which was well established in India under THE GOLD AND SILVER THREAD INDUSTRY. Mahomedan influence and which is, even now, "largely practised and patronised by Mahomedans all over the country". In the Bombay Presidency, it is found chiefly in the cities of Surat and Poona and also in Yeola (Nasik District). This is a twofold industry, (1) manufacturing gold and silver thread and (2) the working of it into cloth. India used to export gold and silver thread to other countries in large quantities, but the competition of other countries has ousted the Indian industries from continental markets, and imports from France and Germany have succeeded in capturing a portion of the Indian market. It appears that but for the protection afforded by the 30 per cent. import duty on gold and silver thread, the indigenous industry would have found it very difficult to survive such competition.

The organisation of the industry is not dissimilar to that of the other cottage industries of the Province. There are three classes of workers : (1) the independent worker who works with his own tools and sells his goods, (2) the dependent worker who works on wages, at some merchant's *karkhana*, and (3) the dependent worker, who works to order at his own residence. In the city of Surat, there were 2,000 workers of the first class, 6,000 of the second, and 5,000 of the third. There were

about 1,100 employers (of whom 50 to 75 were big employers) with 1,200 to 1,300 factories, working in all 1,000 motors. The total value of the gold and silver used in the industry is estimated at rupees one crore, the daily consumption being estimated at 336,000 tolas of silver, and 672 tolas of gold for 300 working days in the year. If we add to this figure the value of silk used, labour charges, etc., the total value of the production in Surat would be nearly rupees four crores. The labourers engaged in the industry earn from annas 10 to Rs. 1-8-0 per day, the more skilful amongst them earning up to Rs. 2.

For purchase of raw material alone, a very considerable amount of finance is required. The *karkhandars* require, besides, cash for payment of employees and for meeting other charges pending sale of finished goods. As the market for this product extends all over India and other countries in Asia, the period of sale operations is necessarily prolonged and credit facilities are indispensable. The Surat merchants have 55 shops in the whole of India in widely separated places such as Bombay, Calcutta, Delhi and Madras, and their goods are also sold in Japan, Siam, Bangkok, Sumatra, Singapore, Mombasa and Nairobi.

We find that the merchants—small or big—engaged in the industry do not resort to the banks for assistance partly because they can obtain finance from other sources at a comparatively moderate rate of interest, and partly because they have a prejudice against the formalities of modern banks. The bigger *karkhandars* are generally men of means. In addition to their own capital, they are sometimes able to obtain deposits from the public at the rate of 3 to 4½ per cent. interest. The smaller merchants—who form the majority—have almost always to rely on outside capital. They either obtain credit for the purchase of raw material or borrow from indigenous bankers or bigger merchants at rates of interest varying between 6 and 9 per cent. The artisans generally borrow for social purposes and are often indebted to entrepreneurs who take advantage of the situation by offering them reduced wages. It would be an advantage if co-operative societies were organised for the small merchants and also for the artisans.

The industry requires a thorough reorganisation on modern lines, larger use of mechanical power, introduction of improved appliances and careful study of both home and foreign markets. As in the case of other cottage industries, the principal need is better marketing. The problem can be solved by the industry itself by forming an association on the lines suggested in paragraph 171 which will purchase raw material wholesale and distribute it among members, and also undertake to sell their goods in suitable markets. The Department of Industries might undertake educative propaganda by opening a demonstration factory, while Indian Trade Commissioners abroad might furnish the necessary information about foreign markets.

173. According to the census of 1921 there were 48,656 metal workers in the Province with 72,945 dependents. The
 THE BRASS AND
 COPPER VESSEL
 INDUSTRY. brass and copper vessel industry maintains a
 total population of 20,862 persons of whom 7,898

were actual workers. The city of Bombay and the districts of Ahmed-nagar, Dharwar and Poona employed 927, 1,264, 794 and 725 persons, respectively. Detailed information regarding the organisation of this industry for all the centres is not available. The following description of its organisation will, however, give a general idea of the conditions all over the Province.

The village coppersmiths and artisans satisfy a local demand. Their financial needs are few, but they have no organisation. The organised portion of the industry is concentrated in the city, and its output is intended largely for outside consumption. There are in the main two classes of producers, the entrepreneur who gets his work done in factories and the one who gets it done at home. The factories generally employ mechanical power and it is not unusual to find the same person owning factories as well as getting some class of work done at home. The raw material for the industry, *viz.*, brass and copper metal sheets is generally imported from abroad. The producer purchases goods from the wholesale dealer in Bombay sometimes on credit and sometimes with borrowed money, paying interest and commission in both cases. The metal sheets are then worked into vessels of required shape and form and during the period of production the factory owner has to pay rent and wages.

The entrepreneur who gets the work done at the worker's residence has only to pay wages or to make advance payments of money to the domestic workers. He gives over the work to a master worker who in turn employs a number of smaller workers to help him in the actual process of production. The finished goods when ready are sold either through a merchant or directly by the producer himself. In the former case the merchant deducts his commission and if he advances money on the security of the finished product, he sometimes exacts interest right up to the termination of the period of the loan, though the goods might have been actually sold much earlier. In the latter case the producer generally finds himself compelled to grant credit to the purchaser for a month or two during which period he has to find financial accommodation.

The financial needs of the industry may, therefore, be summed up under three heads as under :—(1) purchase of raw material, (2) working expenses during period of production and (3) financial accommodation between the period of production and the final disposal by sale in the up-country market. At present the merchant and the *sowcar* provide the bulk of the finance.

The entrepreneur has to resort to a money-lender. If he gets facilities from a bank, it is only short-term credit so that he has to borrow from the *sowcar* at exorbitant rates of interest. A co-operative industrial bank is necessary to grant finance on cheap terms to these industrialists for the purchase of raw material and the payment of working expenses. Where there is no such bank, a co-operative urban bank may provide the necessary accommodation. If such a bank were to advance funds against usage bills drawn by local merchants on account of goods sold and accepted by the buyer, it would be a great convenience.

What is true in respect of the principal industries described above also holds good in the case of the other small industries. Financial facilities are needed, but more so, marketing facilities. In any scheme for the development of such industries the question of opening up new markets for the manufactured goods should be placed in the forefront.

174. As stated at the commencement of this chapter, in the existing conditions of agriculture in this country, one of the ways to improve the economic condition of the rural population is to open new industrial avenues and to provide supplementary occupations. India cannot continue to depend on agriculture alone for maintaining the bulk of her people on a decent standard of living. She must build up industries which may give employment to the surplus and partly employed population. This does not necessarily imply the removal of a large section of the agricultural population from the land. In the industrial life of India, cottage industries have always played a prominent part. While some have gone under, others have survived the shocks of factory competition, adapting themselves to their changing environment. The number of workers in the various cottage industries forms a large percentage of the population, and by a progressive policy of stimulating and fostering these industries a still larger portion of the population can be encouraged to take to these industries. We have already indicated the general features of the organisation of these industries, their wants and difficulties. With the removal of those difficulties and with the extension of facilities already suggested and to be suggested by us in regard to finance in the latter part of this chapter, the cottage industries will provide more and more employment for the rural population.

Cotton spinning and weaving by hand are two of the most popular industries suggested for the purpose. Although cotton spinning may be useful as a secondary occupation, the agriculturist is not likely to take to it as the return on the output is poor.* Weaving, on the other hand, is more lucrative.

Attempts are being made by the Department of Industries to teach weaving to agriculturists and a few schools have been opened for the purpose. It is too early to say whether such attempts will be successful, but the teaching of weaving as a secondary industry deserves encouragement and it is necessary that its introduction should be tried on a larger scale than at present.

Seasonal occupations relating to cotton industry are fairly well developed in the Province. In the year 1928 there were 688 gins and presses in the Presidency, the important districts being Ahmedabad, Broach, Bijapur, Surat, Dharwar, Belgaum, Sholapur and Ahmednagar having 149, 99, 63, 61, 45, 38 and 38 gins and presses, respectively. These occupations are, however, not open to the agriculturists in every

* Professor Kale and Messrs. V. L. Mehta, J. N. R. Mehta and Chikodi wish to add :

"This is too sweeping a generalisation. We think that hand-spinning is a suitable part-time occupation for members of cultivators' families, especially women. This is particularly true of tracts where conditions are favourable with regard to the supply of cotton and the disposal of yarn."

district. It is, therefore, necessary to develop other industries such as groundnut-shelling, rice-husking, oil mills and flour mills.

Dairying is essentially an occupation allied to agriculture and increases the agriculturists' annual income. The demand for milk and milk products is always large and grows larger with increase in population and rise in the standard of life. At the same time, the complaint of adulterated and impure milk is almost universally heard from towns and cities. There are 204 towns with a population between 5,000 and 50,000 and 9 cities with population exceeding 50,000. There is thus an effective demand, and the agriculturists in the villages round about the towns and cities should find it profitable to adopt dairying as a subsidiary occupation on an organised basis. The principal needs of this industry are four—(1) good breed of buffaloes and cows, (2) constant and adequate supply of fodder, (3) preservation and cheap transportation of milk to the urban markets, and (4) finance for the initial purchase of buffaloes and milch cows of good breed and later replenishment of the stock. Items (1) and (2) are fields in which some spade work has been done. The Government of Bombay have a live stock expert who has under him some breeding farms, where buffaloes and bulls and cows are bred in a scientific manner. The propaganda side of the problem needs special attention. The Department of Agriculture, in conjunction with the local *taluka* development associations, should undertake educative propaganda on an extensive scale and demonstrate the business possibilities of dairying as a secondary occupation.

As regards preservation and transport of milk, little, as yet, appears to have been done. Knowledge of the proper methods for preserving milk over short and long distances and of the best way of packing and preserving it, should be widely disseminated in various vernaculars. Cheap transport, a rapid service, and easy means of communication should also be provided. One of the most serious difficulties in the development of this industry is the want of adequate facilities for grazing for dry cattle round about towns. Such facilities, if provided, would assist materially in encouraging the industry. Fodder might be provided by the State in places where it is not readily available. The cattle breeding industry should also be developed at certain important centres.

There are, besides, many occupations to which the agriculturists' surplus time can be profitably devoted in the different districts. A list of such spare time occupations according to different districts has been furnished to us by the Director of Industries which we reproduce below :

Hand spinning for women, hand weaving, wool spinning, wool weaving, knitting, dyeing, rope-making, carpentry, wood-turning, smithy, preparing wire cages for trapping rats, making cooking utensils, soap-making, preparing paper pulp for toys, snuff-making, preparing toys of wood and clay, cane-work, bamboo matting, bamboo basket-making, making *bidis*, manufacture of *dal*, flour grinding, preparing dry ginger and dry turmeric, making umbrellas and fans from reeds, coal burning, etc.

A good deal of guidance will be necessary in the initial stage. We, therefore, suggest that the Department of Industries should conduct enquiries into the possibilities of subsidiary occupations suited to local conditions, climate, position and tastes. Such inquiries might be followed up by practical demonstrations of the advantages of the selected industries. Enterprising people might then be financed by banks at moderate rates of interest, and technical knowledge and guidance might be placed at their disposal by officers of either the financing bank or the Department of Industries. This will afford employment during the slack season to a good number of people.

EXISTING CREDIT FACILITIES. 175. The existing credit agencies for financing industries are—

- (1) The *sowcar*,
- (2) The merchant or dealer in raw materials or produce of industry,
- (3) The co-operative banks and producers' societies,
- (4) The Imperial Bank and joint stock banks,
- (5) Government through the Department of Industries and the Co-operative Department.

The *sowcar*'s methods of finance and the extent to which he provides industrial finance will be described in Chapter XIV. The methods of finance by the entrepreneur, who is the dominating figure under the existing organisation of small industries, have already been discussed in the earlier portion of this chapter. The defects of these two financing agencies are well-known. The finance is costly; every advantage is taken of the debtor's illiteracy and helplessness. They have, besides, no interest in the welfare of the borrower. The only agency that has so far made an attempt to overcome the defects is that of co-operative industrial societies, but most of them are merely credit societies, while none has as yet reached the stage of opening a sale shop. The following table gives statistics of such weavers' societies :—

Year ending March.	Number of societies.	Number of members.	Working capital.	Value of sales.
			Rs.	Rs.
1925	69	3,000	3,00,000	2,50,000
1926	60	3,090	3,00,000	2,50,000
1927	57	3,090	3,34,808	2,31,882
1928	59	3,154	3,24,568	2,14,540
1929	55	2,539	2,63,722	2,27,514

Compared to the magnitude of the weaving industry, the number of persons helped by the movement is exceedingly small. Even this small number does not receive adequate finance and has to resort to the *sowcar*. To emancipate the artisan from the thralldom of usury an extension of the movement is necessary. The weaver is reported to

be backward, disloyal to his society, conservative and prone to drink, and hence, the lack of progress of the societies. At the same time, it may be remarked that these societies have comparatively small arrears.

Other artisans such as brass workers, leather workers, etc., have, it is said, a few societies similar to those of the weavers and they appear to suffer from the same disabilities. There were 27 such societies on 31st March 1929 with 992 members, a working capital of Rs. 2,17,826 and sales valued at Rs. 2,65,762. These societies, too, need to be considerably augmented and their staff strengthened by expert advisers so that they may be in a position to increase their activities.

Except in the case of large scale industries, such as cotton ginning and pressing, the assistance rendered by the joint stock banks to industrial concerns is insignificant. Even the limited financial accommodation given by them is not continuous and the formalities of the banks and the terms of advance are considered onerous by the entrepreneurs who have, therefore, to resort to the *sowcar*. Government finance industries, through the co-operative societies, by means of loans or supply of implements on hire-purchase system. We find, however, that owing to the difficulties we refer to later, loans were given during the last seven years to two concerns only, *viz.*, Rs. 6 lakhs to a sugar factory, and Rs. 5,000 to a weaving factory.

176. There is no doubt that small and middle class industrialists experience considerable difficulty in obtaining the necessary funds at reasonable rates of interest. Adequate credit facilities are necessary, besides organisation and marketing, to set them on their feet. Banking in the Province is still in a backward condition. There is no industrial bank of the type of the Credit Mobilier of France or the Nippon Kogyo Ginko of Japan or the Grossbanken of Germany, which combine commercial banking with company-promoting. The number of existing banks is not adequate and scarcely any one of these is organized to provide initial capital or long-term loans. Nor have these banks on their staff men possessing the technical knowledge necessary for examining propositions for financing industries. The underwriting of industrial capital, or investing in or lending on the security of shares in industrial concerns, does not come within the purview of the Imperial Bank's operations. The other commercial banks do not suffer from such statutory disabilities, but they also look askance at proposals for industrial credits as being more hazardous than those for commercial credits. Having regard to their constitution and their obligations on account of short-term deposits, they cannot provide long-term credit for capital requirements. They can entertain proposals for providing working capital only. But even the facilities for the supply of current finance to industry are very deficient, as industrial concerns are generally unable to offer the security of liquid assets or stocks that can be readily disposed of.

What should be done to meet these difficulties and generally to provide an elastic system of industrial finance? The question was

examined by the Indian Industrial Commission from the point of view of the requirements of the large as well as small industries of the country. The Commission pointed out the crying necessity for the extension of banking facilities and favoured the establishment of an industrial bank or banks. It considered that the establishment of industrial banks working on approved lines was of sufficient national importance to justify Government assistance, and propounded, as an *interim* measure, a scheme for the provision of current finance to middle class industrialists. This scheme contemplated the opening of cash credits by banks in favour of applicants approved by the Department of Industries on the guarantee of Government. It was suggested that in a few cases Government should provide, subject to certain safeguards, direct financial aid and that such assistance should take the form of guarantee of dividends, loan of money, undertaking to purchase output, or contribution to share capital. Advances were also recommended to small organized industries and cottage industries by the local Departments of Industries in the shape of small Government loans or by financing the purchase of plant on the hire-purchase system.

177. Witnesses who have given evidence before us on the subject of industrial finance favour the establishment of a central industrial bank designed and equipped for the purpose of affording financial assistance to industries. When the Indian Industrial Commission made its report, the Tata Industrial Bank had just started its work. It is unfortunate that soon afterwards the bank ceased to exist as an industrial bank. That, however, need not stand in the way of establishing an industrial bank for the Province. We suggest that the Central Committee should formulate a scheme for starting an industrial bank for the Province with branches wherever necessary. Considering the important place which such a bank would fill in the banking system of the country, we are of opinion that it should receive some measure of State aid. In this connection we should like to reiterate the warning sounded by the Industrial Commission, *viz.*, that the clearest possible distinction must be drawn between industrial finance and ordinary banking business. "Share and debenture capital and long-term deposits may legitimately be used for the former purpose, but short-term deposits never; and any attempts to employ them should be most strictly prohibited, if necessary, by law."

There are large scale industries and small scale industries, so also may industrial banks be divided into banks for financing larger industries and those for assisting small size and cottage industries. The proposed industrial bank would be helpful in meeting the financial requirements of comparatively large scale industries and the smaller industries should be financed by its branches, while individual artisans may be financed by the co-operative credit societies and by banks as suggested in paragraph 173.

We endorse the further recommendations of the Commission for State-aid to industry referred to above. The industrial concerns of

the Province suffer at present from severe handicaps. As pointed out above, industrial banks do not exist and ordinary banks are not so organized as to provide long-term credit or fixed capital. We do not suggest that Government should play the role of a banker to industry, but we recommend that until industrial banking plays its part in the industrial regeneration of the country it should be the policy of Government to render all possible financial assistance in fostering new and existing industries which hold out reasonable prospects of success and which are likely to assist in the economic development of the country. Positive facilities may also be given at State expense for research into processes of production and methods of organisation. Cottage industries generally require assistance in the form of supply of tools, machinery and raw materials. They may be assisted in many ways by co-operative industrial societies through their unions but some form of State-aid is also necessary. There is a State-aid to Industries Act in Madras, Mysore and Bihar and Orissa. There is also an Industrial Loans Act in the Punjab, under which small industrialists can have small loans for the purchase of machinery, etc. Even without such legislation the Government of Bombay have the powers to grant such financial assistance. But in our opinion it would be an advantage to have an Act for State-aid to industry so that the policy of assisting industries may be pursued more systematically than at present. Money so spent by the State is likely to be repaid many times over with the growth of the aided industries and augmentation of the national dividend. We therefore, recommend that a progressive industrial policy should be clearly enunciated with a view to promoting the development of industries in the Province.

In this connection we cannot emphasise too strongly the necessity for a well-equipped administrative machinery to give effect to such a policy. It should not only carry out a comprehensive system of State-aid to industries, but also undertake supervision work with a view to assuring that the assistance given to an industry is used for the purpose for which it was given. The existing Department of Industries is supposed to supply this want, but we find it is insufficiently equipped for the purpose. In the first place, it has not at its disposal adequate funds for aiding industries; and secondly, the establishment is much too small and there are no experts on the staff qualified to advise and supervise. Our observations in this respect must not be taken to reflect in any way on the efficiency of the personnel of the Department. They simply refer to the defective policy under which the Department has to function.

We are of opinion that the Department of Industries should be endowed with sufficient resources, charged with definite functions and invested with authority to carry out the industrial policy of Government. There should be close co-operation between the Department of Industries, the Department of Agriculture and the co-operative movement, particularly in regard to the development of industries allied or supplemental to agriculture. Concerted action of all organisations concerned would

also be necessary in respect of propaganda and education and one of the functions of the Department should be to supply to the small industrialists and organizations information regarding the markets of India and other countries.

Before we conclude this chapter, it would be convenient to recapitulate briefly how under the policy suggested by us, Government may assist in financing the industries of the Province. Finance is necessary for—

- (1) large industrial concerns,
- (2) small industrial concerns,
- (3) industrial workers—
 - (a) unorganised individuals,
 - (b) members of co-operative societies.

It should be the work of the proposed Industrial Bank to finance comparatively large organised industries. Government can, however, render material assistance in two ways, firstly, by encouraging the establishment of such a bank by guaranteeing interest on debentures, or by holding some of the debentures issued by the bank, and secondly, by rendering to the bank, free of charge, expert technical advice through the Department of Industries. The small industries in addition to free technical advice from the Department have a claim on direct financial assistance from Government until there is an industrial bank to provide for their needs. Under the proposed State-aid to Industries Act, Government may advance money to such concerns through the Department of Industries. They may also advance loans through the proposed district industrial association to individual home-workers who are not members of a co-operative society because their number in one area is too small to form a co-operative society. For co-ordination of effort, co-operative societies wherever they exist, may be affiliated to the district associations. Part of the working establishment charges of the district associations may be paid by Government through the Department of Industries until they are self-supporting and each district association may be given a loan, if necessary, at an easy rate of interest for its working capital. The work of financing these associations should be made over to the proposed industrial bank as soon as it can take over the work. Government have been already assisting individual home-workers who are members of co-operative societies through the existing co-operative machinery. This arrangement may continue, the assistance being increased with the growth of the activities of the societies.

CHAPTER X.

REMITTANCE FACILITIES AND INSTRUMENTS OF CREDIT.

178. "In any scheme of banking reform that may be planned, we trust that due emphasis will be laid on the provision and extension of cheap facilities to the public, including banks and bankers, for internal remittance."

IMPORTANCE OF FACILITIES FOR INTERNAL REMITTANCE.

In these words the Royal Commission on Indian Currency and Finance (1926) rightly emphasised the need for a cheap and rapid service for the transmission of money. We propose to make specific recommendations for meeting the requirements of the commercial community in this respect.

179. There are various channels through which remittances can be made from one place in the Province to another. It is open to the remitter to resort to any one of the following agencies :—

AGENCIES THROUGH WHICH REMITTANCES ARE MADE.

1. The Imperial Bank or Government treasuries.
2. The post office.
3. The joint stock banks.
4. The co-operative banks.
5. The indigenous banks or bankers.
6. Physical transportation of money.

In the absence of a central banking institution certain remittance facilities are provided by Government through the Imperial Bank and the treasuries. Under its charter the Imperial Bank is required to afford facilities for inland remittances. Under its agreement with Government all treasury balances are to be entrusted to the Bank, wherever it has a branch office, and the duty of assisting the public by giving facilities for the transfer of funds between places where it has branches or a local head office, at rates not exceeding those laid down by the Controller of the Currency, devolves on the Bank. Where there is no branch of the Imperial Bank, currency telegraphic transfers and supply bills are issued to the public by Government at the treasuries in accordance with prescribed rules.*

180. Supply bills are drawn by one treasury office on another on the application of a person who wants to remit money. They are not drawn for sums under Rs. 1,000 and must be drawn in multiples of hundreds. The remitter has to pay cash to the drawing officer and the payee receives the amount from the treasury officer on whom the bill is drawn. The charges are one anna per cent. for amounts of Rs. 10,000 and over and two annas per cent. for amounts exceeding Rs. 1,000 but less than Rs. 10,000. Supply bills are not a very prompt method of remittance. Telegraphic transfers are, therefore, also issued when the person applying for the transfer of funds

desires that the transfer should be intimated by express or ordinary telegram. By transfer of cash from the currency chest (which is maintained in almost every treasury and important sub-treasury) to the treasury or *vice versa*, transfer of funds is effected from one treasury to another, the actual remittance of coin or currency notes being reduced to the minimum. When surplus funds are deposited in the currency chests, an intimation to that effect is sent to the Deputy Controller of the Currency, who sanctions a corresponding transfer of money from the currency chest to the treasury balance at some other treasury which needs funds or from the currency chests to the public account of the Imperial Bank, thus releasing more money for the use of the banking and commercial community.

Such interlacing of Government and business finance is helpful to commerce as well as to Government. Whilst giving facilities to the commercial public for inland transfers of funds, it affords the best means of transferring Government revenue from the collecting centres to the provincial headquarters. The Controller of the Currency supplies the link between the Government and the commercial community. On him devolves the duty of watching the effect of one on the other and of seeing that his operations do not adversely affect the interests of the commercial public.

IMPERIAL BANK'S
RATES FOR TRANS-
FERS.

181. The Imperial Bank's rates for transfers are fairly low, as will be seen from the following table :—

To the general public : Telegraphic transfers—one anna per cent. *plus* telegram charges. Demand drafts—one anna per cent.

To joint stock banks : A concession rate of half an anna per cent. for sums of Rs. 15,000 and over, when the amount is payable to a bank only. Banks remitting funds for private individuals or firms must pay at the rate fixed for the public.

182. Remittance transfer receipts are given free of charge to CONCESSIONS TO Co- co-operative societies and banks for co-operative OPERATIVE SOCIETIES. purposes only. The minimum limit is Rs. 150. It has been represented to us that it would be desirable to lower the limit to Rs. 100, if not to Rs. 50, to facilitate remittances of small amounts. We find, however, that instead of fresh concessions being given certain restrictions have been recently imposed on the remittance operations of co-operative banks. This question will be examined by us later.

183. The joint stock banks and the co-operative banks sell telegraphic transfers and demand drafts for purposes of remittance. The indigenous banker generally sells FACILITIES GIVEN BY OTHER AGENCIES. *darshani hundis* when drawing on another indigenous banker. When drawing on a joint stock bank, he draws cheques. Telegraphic transfers are also sometimes sold by indigenous bankers. The charges levied by these agencies for remittance facilities vary according to demand and supply.

Telegraphic transfers are orders for payment made by telegram, while demand drafts, *darshani hundis*, or cheques are orders for payment made

in writing. When payment has to be made urgently, the remitter arranges with the seller for payment by telegram. He pays cash for the amount to be remitted and the cost of the telegram; he also gives telegraphic instructions to the payee to receive payment from the seller's agent. In the case of demand drafts, the remitter gets in exchange for cash a draft, *hundi*, or cheque, which he must send to the payee for receiving payment from the bank, firm, or individual named in the draft, *hundi*, or cheque. A demand draft of a bank, a *darshani hundi* and a cheque of the indigenous banker are in essence of the same nature in that the amount mentioned therein is payable on demand, but the *darshani hundi* differs in some respects from a demand draft or a cheque. A demand draft on a bank or a cheque is an order to pay the sum specified therein on demand and as it is drawn on a bank, there should be no delay in payment if presented during working hours on working days of the banks, whereas the *darshani hundi* is issued in various forms such as *shahjog*, that is, payable through a respectable person who should be a resident of the place, and is subject to various local usages which will be presently discussed.

184. Through the post office, remittances are made by money orders or registered insured letters containing currency notes. REMITTANCES MADE THROUGH THE POST OFFICE. Currency notes, often cut into halves, sometimes entire, are sent by post, the only charges payable being postage, registration and insurance fee. Indigenous bankers and traders freely resort to this method of remittance, often insuring packets for smaller amounts than the value of the notes contained therein, so as to pay a smaller charge for insurance. Even some of the joint stock banks transfer funds by insured post. The rates charged by the post office for these facilities are as under:—

Money order : For Rs. 10 and less—Two annas.

For Rs. 10 to Rs. 25—Four annas.

On any sum exceeding Rs. 25 up to Rs. 600, four annas for each complete sum of Rs. 25 and four annas for the remainder, but if the remainder does not exceed Rs. 10, the charge for it is only two annas.

Extra charges for telegram in case of telegraphic money orders.

Insured letters : For every Rs. 100 of insured value—Two annas.

We find that it is felt that the rates for money orders are rather high. When banks are doing remittance business at rates not exceeding $\frac{1}{4}$ per cent., the rate of 1 per cent. charged by the post office appears to be unduly high. The minimum rate used to be one anna before; it is now two annas. Thus a person wishing to remit Rs. 5 has to pay for a money order for the amount at the rate of $2\frac{1}{2}$ per cent. We recognise that remittance of small amounts entails as much labour as that of large amounts, but even after allowance is made for this fact the charge seems to be excessive. No wonder, this means of internal remittance is not

popular either with the commercial community or even with the general public who prefer to remit large amounts by insured post.

185. Transportation of currency by rail appears to be a favourite **TRANSFER OF CURRENCY BY RAIL.** method of remittance with indigenous bankers. It is the cheapest means of transfer of funds when the distance to be traversed is not great. We were told in Sind by some indigenous bankers that it did not involve much risk and that the little risk which was inseparable from this means of transmission of funds they deliberately took with a view to increasing their profit on such transactions. By an irony of fate we read in the newspapers within a few days afterwards that a representative of one of these bankers was robbed of Rs. 20,000 whilst travelling in a train!

186. It will be seen that the existing facilities for remittance are not **NEED FOR EXTENSION OF FACILITIES TO CO-OPERATIVE SOCIETIES.** inadequate so far as large trading centres are concerned, and that the charges as a rule are not excessive except for remittances by postal money order. But our inquiries show that there is still room for the extension of cheap remittance facilities to rural areas with a view to stimulating internal trade and commerce and that one of the most suitable agencies through which this can be accomplished is the co-operative bank. The facilities given to the co-operative societies for free remittance transfers are referred to above. A reference has also been made to a recent curtailment of these facilities. The Government of India have ruled that buying and selling of remittance is "not consistent with the principles of co-operative banking" and that the concession of free remittance transfer receipts was not intended to enable co-operative societies to carry on commission business. We do not agree that buying and selling bills of exchange for profit is incompatible with the principles and practice of co-operation. All over the world co-operative banks undertake remittance business not only for internal transactions, but also for transactions outside their own countries, and such business is not restricted to the operations of the bank's own constituents or to those of members of co-operative societies. We have it in evidence that owing to the restrictions imposed on co-operative banks in this Province, their business in inland exchange has sustained a set-back. These banks have gradually penetrated into the most distant parts of the Province where no other organised banking institutions cared to open a branch or even a sub-office. Besides rendering other banking services, they provide at such places cheap remittance facilities required by indigenous bankers and local traders. We consider, therefore, that in consideration of such pioneer work in neglected outlying parts of the Province, these banks deserve some concession. To enable the co-operative organisation to continue its useful work in this direction and to develop it by opening new branches and sub-branches in every *taluka* town so as to afford a cheap and rapid means of transmission of funds for the movement of crops and merchandise, we are of opinion that the concession withdrawn should be restored in places where no adequate facilities for remittance are available at present. In such places the concession

of free remittance may be given only to a limited amount per day. In places served by the branches of the Imperial Bank and other banks no special facilities for inland exchange business are necessary, but at such places the Imperial Bank should not put obstacles in the way of the co-operative banks transacting such business and should not curtail or withdraw from them the facilities ordinarily given to the public. It is not so much on account of profit that the co-operative banks are anxious to see the concession continued. The profit made is usually very small, but this business brings them in direct touch with merchants, traders and indigenous bankers, increases their credit and helps them in their general banking business.

We may refer here to the complaints which we received from more than one co-operative bank about the difficulties put in their way by some branches of the Imperial Bank of India regarding remittance of funds. It has been alleged that some of the agents of the branches in charge of Government treasuries have refused to issue remittance transfer receipts on the ground that funds were proposed to be transferred not for *bona fide* co-operative transactions but for purposes of exchange. It is further alleged that the facility of remittance is denied, even though the co-operative bank certifies that the transfer of funds is required for co-operative purposes and not for exchange business. We think it very undesirable that the agent of a local branch of the Imperial Bank should refuse to accept the certificate of a co-operative bank and should, on his own authority, try to withdraw a concession which has been given to all co-operative institutions by Government. It seems to us that the Imperial Bank, as the agent of Government in charge of the local treasury, should loyally carry out the instructions of its principals and that its local manager should not withhold remittance on his own responsibility.

It has been further represented to us that co-operative banks should be given the facility of getting funds free of charge by the sale of drafts on the apex bank at district and *taluka* treasuries. We commend this proposal also for sympathetic consideration.

187. As regards the general public we are of opinion that the existing facilities for supply bills might, with advantage, be extended. The present minimum limit for the issue of such bills is Rs. 1,000. It would help many small traders if the limit were reduced to Rs. 500. At present, insured packets containing articles worth more than Rs. 600 are not accepted and the transmission of currency notes by sending halves in registered insured packets is discouraged. In the circumstances it seems desirable that the minimum limit for supply bills should be reduced to Rs. 500. The question of reducing the charges for the bills is also worthy of consideration. Another improvement in the existing system, which we should like to suggest, is the removal of the restriction that bills should be drawn in even sums of hundreds of rupees. This would obviate the trouble and expense involved under the present system in

remitting broken amounts. * We find that the facilities available to the public at the treasuries are not yet sufficiently known. Some publicity work in that direction seems desirable.

Another instance of curtailment of remittance facilities by the Imperial Bank has been brought to our notice. The Bank used to allow its customers to transfer funds from one of its branches to another free of charge up to a limit of Rs. 5,000. That concession has now been withdrawn, because the Bank does not consider it reasonable to incur expenses on the maintenance of an establishment for the work without getting anything in return for its services. The withdrawal of this concession is subject to modification in specific cases where the Bank is compensated in other directions. The Bank is perfectly justified in regarding it as a business proposition, but we are not sure that a business proposition necessarily precludes the management from rendering a service without remuneration in one direction, if thereby it secures additional custom and makes up for the loss by profit earned on services rendered in other directions. We understand this privilege has induced many persons in the *mofussil* to keep accounts with the Imperial Bank, although the Bank does not allow interest on current accounts as the other banks do, and that they found the concession useful in making small payments, *e.g.*, bills for supplies obtained by public servants, professional men, artisans and small traders. If, as we are informed, some of the Bank's customers have abused the privilege and the concession has had to be withdrawn on that account, it seems scarcely fair to penalise the whole body of the Bank's constituents for the transgressions of a few. We are not oblivious of the fact that there would be practical administrative difficulties in continuing the facility with certain reservations, inasmuch as there would be many ways of getting round safeguards provided against the abuse of the privilege. At the same time, we are inclined to believe that if the amount of free transfers on account of customers is reduced to, say, only about Rs. 500, it would stop manipulations by traders to a very considerable extent and that if some persons still try to take an undue advantage of the facility for free remittances, it would not be difficult for the Bank to deal with such cases individually.

The general public and the commercial community alike look to the Imperial Bank of India to adopt a progressive policy for the promotion of banking in this country, recognising that it is not merely a money-making joint stock concern, but that it also enjoys the privilege of acting as sole banker to Government and has therefore certain obligations to discharge in certain directions irrespective of considerations of compensation. We trust that the Bank will, instead of withdrawing facilities for remittance, augment them and suggest ways and means to Government of giving increased facilities to joint stock banks, co-operative banks, indigenous bankers and the public generally through its own local head office and branches and through the treasuries and sub-treasuries.

188. The Post Office can also be instrumental in increasing the facilities for remittance by reducing its rates for money orders and insured letters. It can also help by allowing transfer of funds from one savings bank account to another in different centres. We propose to deal with this proposal in Chapter XVI.

189. Use of cash is expensive to society. Paper money and credit instruments economise cash. Under a well organized banking system they can be easily transferred from one person to another. The credit system enables society to substitute readily a claim to money for cash itself and then to bring the claims together and cancel them. Such a credit instrument may be a promissory note, or an order on a bank, a cheque or a bill of exchange, and on the development of the diverse negotiable instruments and the efficiency of the system of acceptance and negotiation of such instruments depend the growth of production in anticipation of demand and the expansion of the internal and external trade of a country.

The negotiable credit instruments commonly used in commercial transactions are :—

1. Promissory notes.
2. Cheques.
3. Bank drafts.
4. *Hundis*.
5. Bills of exchange.

We append specimen forms of *hundis*, promissory notes and deposit receipts commonly used in this Province (*vide* Appendix VII).

190. This is the most common instrument of credit. As the maximum stamp duty to which it is liable is only four annas, this mode of payment is freely resorted to. The banks also take promissory notes as security for all kinds of advances.

The promissory note, though payable on demand, generally involves payment after a fixed period within which the buyer hopes to sell the goods purchased by him and thus redeem the note. If, however, the seller insists on immediate payment, the buyer has to discount his promissory note with a bank or with an indigenous banker to make ready payment to the seller. This would only be possible if there was a network of banking agencies all over the country.

191. The removal of the stamp duty on cheques has given an additional impetus to the use of cheques. In Chapter XVI we deal with the question of the growth of the cheque habit in greater detail, but whilst on the subject, we should like to stress the need for further popularising the cheque system. To the extent to which cheques are freely used the strain on currency is reduced. The removal of all avoidable restrictions and impediments in the way

of circulation of cheques is, therefore, a question not merely of popularising the banking and investment habit, but also of economising currency and relieving the seasonal strain on it. It appears to us, however, that neither the policy of Government as regards acceptance of cheques in lieu of cash payment on account of land revenue, nor the existing procedure followed by banks as regards encashment of cheques over the counter, is conducive to that end. Payment in respect of Government dues on account of land revenue has to be made in cash at places where there is no branch of the Imperial Bank. Payment in cash is also insisted upon at many places on account of local rates and taxes. Such a policy must affect the growth of the cheque habit and of banking generally, whilst restricting remittance facilities. Similarly, the cheque system cannot gain in popularity unless there is an improvement in the procedure of banks so as to expedite payment on account of cheques. We shall have to say more on the subject in Chapter XVI.

192. A recent ruling by the Bombay High Court has resulted in a restriction on the negotiability of cheques by making it incumbent upon banks and business houses to examine all endorsements upon bearer cheques. Contrary to past practice, it has been held that the character of a negotiable instrument which is drawn payable to bearer, in the first instance, can be effectively altered by any subsequent endorsement. Such an unnecessary restriction is sure to militate against the furtherance of the use of cheques and retard the progress of banking in this country. The practice hitherto in vogue was based on the principle "once a bearer, always a bearer". The practice in England is the same and has been grounded on the same principle. Any deviation from it would throw on the banks not only extra work in examining all the endorsements on bearer cheques, but also heavy pecuniary liability in cases of fraud. Moreover, the privity of contract is between the drawer and the drawee, and the drawee or the banker is bound to obey the instructions of the drawer only and no one else who handles the instrument with the knowledge that it is a bearer instrument. This defect should be removed as early as possible. The bill to amend the Negotiable Instruments Act introduced in the Legislative Assembly on 2nd September 1929 sought to legalise the practice which previously existed, but it was rejected as it was believed that Indian banking and commercial opinion was against the proposal. We, however, find that there is no such opposition to the continuance of the practice that had already been in vogue. A large majority of witnesses we have examined on the subject have expressed themselves in favour of the amendment. We are of opinion that the law on the subject should be amended at an early date and that *hundis* should also be covered by it. It is essential that there should be in circulation, in the money market, instruments of credit which can be negotiated as freely as currency notes and which should not lose their character as negotiable bearer instruments in spite of any endorsement or series of endorsements thereon.

AMENDMENT OF THE
LAW RELATING TO THE
NEGOTIABILITY OF
CHEQUES.

When the Negotiable Instruments Act is amended as suggested, there would be in circulation four kinds of cheques, and these should meet the requirements of all concerned :—

1. Bearer cheques, which will circulate in the same way as currency notes without restrictions.

2. Order cheques, which will circulate by endorsement only.

3. Crossed bearer cheques, which will be paid only through a bank, but without any obligation on the part of the paying banker to examine the endorsements, as in the case of *shahjog hundis* used in the money market.

4. Crossed order cheques, payable to banks only, but entailing on the banks the responsibility of examining the endorsements.

193. Demand drafts are issued against cash payments or *hundis*.

BANK DRAFTS. The rate charged by the Imperial Bank of India is half an anna per cent. for joint stock banks and one anna per cent. for the public. The rates of other banks vary according to their respective position and requirements from day to day. Demand drafts are also obtained from *shroffs* or their *adatyas*.

194. The *hundi* is the oldest instrument of credit in vogue in the Indian banking system and it is also the principal negotiable instrument for the settlement of debts and for inland remittance. It is in essence a bill of exchange by which the drawer directs a certain person to pay a certain sum of money to a certain person or to the bearer, either on demand or on a determinable future date. It is in the majority of cases, about 90 per cent., a bearer instrument and is invariably an unconditional order, with the exception of the *jokhami hundi* and *hundis* accompanied by railway receipts and bearing instructions to pay only on receipt of the goods. Such *hundis* are not, however, common in this Province, except in Sind.

There are two recognised sub-divisions of *hundis* :—(1) *Darshani*, or sight or demand bill, falling in the category of cheques and therefore exempt from stamp duty; and (2) *Mudati*, deferred or usance bill, liable to stamp duty. The form generally in vogue is the *shahjog* which makes the *hundi* payable through a respectable person, having his business at the place of payment. The idea underlying the instrument is to trace the payment, as in the case of a crossed cheque. The liability of the drawee in the case of such *hundis* is practically the same as that of a paying banker in respect of crossed bearer cheques. There have been cases of bogus *shahs* and there have been court decisions holding the drawee liable for making payment to unknown persons in contravention of the instruction implied by the *shahjog hundi*. There is, however, a tendency in the money-market to ignore such restrictions and we understand that about eighteen years ago the Bombay Shroffs' Association introduced another form of *hundi*—the *dekhadnarjog*, that is, payable to presenter or bearer. This form is now increasingly used in Bombay and Gujerat. It has not, however, yet penetrated other parts of the Province to any appreciable extent. There are two other

forms, *dhanijog*, payable to a *dhaní*, a drawee or a definite payee, and *firmanjog*, payable to order, but these forms are not in use in this Province.

In the foregoing paragraph we have noticed the points of resemblance between the *hundi* and the bill of exchange, its western counterpart. The points of difference may also be briefly noted. The English law on the subject does not lay down any restrictions as to the form in which a bill of exchange is to be drawn, but in practice it is a briefly worded, business-like, document. In India, however, the *hundi* often takes the form of an epistle with salutations and invocations of blessings in the oriental style. In the English bill the name of the drawer is given at the right-hand bottom corner, whereas in a *hundi* it is mentioned in the body of the instrument. The name of the drawee is also mentioned in the body of the *hundi* and the name and address are again mentioned on the reverse, whereas in the bill of exchange the name and address of the drawee are given at the left-hand bottom corner of the bill. The amount in a bill is mentioned twice in figures at the top corner on the left hand side and also in words in the body. In the *hundi*, the amount often occurs four or five times. In the body the amount is mentioned in words as well as in figures and then elucidated and placed beyond doubt or manipulation by illustrations, such as half or one-fourth of, or twice, a particular amount. The bill of exchange must contain an unconditional order, but as we have seen above there are some exceptions in the case of *hundis*, and its epistolary form lends itself to the incorporation of instructions in the body of the *hundi* which at times might affect its character as an unconditional order.

195. What constitutes a material point of difference is the multiplicity of usages governing *hundi* transactions. In the case of a bill of exchange there are certain general and universally recognised principles regulating the presentation for payment, the time of payment and the hours during which payment can be demanded, and the loss or dishonour of a bill of exchange. On the other hand, there are varying usages and regulations governing *hundi* transactions in different centres. In this Province alone, the usages differ considerably. The Indian Merchants' Chamber of Karachi has pointedly drawn our attention to the inconvenience caused by the multitude of conflicting usages prevailing at different places and to the need for standardisation so as to secure uniformity and to popularise the use of *hundis* in the settlement of commercial debts. The points on which a general agreement seems desirable may be summarised as under :—

1. Time of presentation for acceptance and payment.
2. Determination of time of payment and hours during which payment can be made.
3. Days of grace.
4. Observance of holidays.
5. Procedure in case of a lost *hundi*.
6. Procedure in case of a dishonoured *hundi*.

Having regard to the importance of the subject, we invited the views of the different chambers and associations interested in the matter as to whether it would not be desirable to have the question of standardisation of the various usages considered at a joint meeting of the individuals and institutions concerned so as to arrive at some generally acceptable principles. There can be no question that standardisation of usages governing the *hundi* will tend to promote its circulation and we are strongly of opinion that if standardisation is not possible for the entire Province, an attempt should be made to avoid ambiguities and to introduce a uniform system at least in particular regions, such as can be recognised by the Courts in cases of dispute. We would impress upon the Federation of Indian Chambers of Commerce and Industry the necessity of arriving at a solution of the problem in consultation with the associations concerned. The part played by negotiable instruments in the finance of the internal trade of this country is still very inadequate and the need for the extended use of such instruments with a view to replacing currency cannot be too strongly emphasized.

196. For the movement of crops and manufactured goods the need for increased credit and increased use of credit instruments has been keenly felt. A considerable part of business in the *mofussil* is done through *darshani hundis*. The *mudati hundi* has almost gone out of use except in Bombay and Shikarpur, partly because of want of confidence in the stability of the drawer and the drawee, but mainly because of the unquestionably heavy progressive stamp duty to which it is liable. The stamp duty of one rupee per mille on a three months' usance bill is equivalent to an interest charge of four rupees per annum, or 4/10 per cent. per annum, which the drawer has to pay in addition to the rate of discount, which, as it is, is a high rate.

To avoid this heavy duty, various devices are resorted to, such as the use of promissory notes with a verbal understanding that payment would not be demanded until the expiry of a fixed period mutually agreed upon. Sometimes, the debtor opens a *khata* (account) in the creditor's books or gives a receipt acknowledging money received. Post-dated demand bills are also not uncommon. These credit instruments are not touched by the banks, nor are they negotiable in the *bazar*. The result is that money claims are not liquid and are not negotiable for meeting the credit requirements of the money markets in the Province. The use of *hundis* being restricted, there is no discount market for *hundis* in the *mofussil* and the up-country agriculturist, trader, or manufacturer lacks that close relationship with the chief money-markets of the Province and of the country, which is secured under an organised system of credit and inland trade, and import and export business has to be financed at heavy rates of interest, which must retard the growth of commerce and industry.

The remedy for the existing unsatisfactory state of affairs is to increase the volume and velocity of circulation of loanable funds and

credit instruments. For the development of *hundi* business a change in the policy of Government concerning stamp duties is urgently called for. The question here arises: "Should the stamp duty in respect of *hundis* be reduced or altogether abolished?" We are of opinion that mere reduction in the amount of duty, howsoever substantial, will be of no avail. People have learned to evade and have successfully evaded the duty by having recourse to promissory notes and other devices referred to above. So long as they can resort to these methods and so long as they feel that they are not thereby seriously jeopardising their position, a reduction in the stamp duty would afford no incentive to use the *hundi* unless the amount of duty fixed is the same as that leviable in respect of promissory notes, and that means virtual abolition of the duty. If that is done, the practice of giving *mudati hundis*, or usance promissory notes, will automatically come into vogue and along with it discount markets will spring up and discount houses too, all tending to establish a reasonably moderate discount rate. We find that the average revenue derived annually from the stamp duty on inland *hundis* payable otherwise than on demand for the quinquennium ending with the year 1928-29 amounted to Rs. 2,50,000. Were the stamp duty on these *hundis* abolished as proposed, it is not likely to entail an unduly heavy sacrifice on the finances of the Province, considering the stimulus it will give to the development of one of the most liquid forms of negotiable instrument.

197. Mere abolition of the stamp duty will not, however, suffice to reinstate the *mudati hundi* in the money-market. Other inducements are also necessary. We have already stressed the need for standardisation of forms and usages. We suggest the following other means of popularising dealings in *hundis* :—

MEASURES FOR
POPULARISING DEAL-
INGS IN HUNDIS.

(1) Validating the noting of dishonour and protest by recognised associations of bankers, *shroffs* or merchants so as to save trouble and expense to the owner of the instrument.

(2) Facilities to co-operative banks to deal in *hundi* business so that distant parts of the Province can in course of time be linked to the central money-market.

(3) Increased facilities to indigenous bankers for rediscounting their *hundis* with the Imperial Bank.

198. It has been repeatedly represented to us that there is a strong feeling among the indigenous bankers that with the exception of Multani *shroffs*, who have large dealings with the Imperial Bank, they do not get from that Bank the same facilities as are offered to joint stock banks. It is urged, on behalf of the Bank, that it is difficult to distinguish between a *shroff* doing banking business only and another combining trading with banking. Whatever may be the causes for the estrangement between a large section of the *shroffs* and the Imperial Bank, we consider it desirable that the Bank should take steps to remove such a feeling by the due recognition of the legitimate needs of all indigenous bankers.

A PLEA FOR AN
IMPROVEMENT IN THE
RELATIONS BETWEEN
THE SHROFFS AND THE
IMPERIAL BANK.

199. During times of seasonal stringency brought about by the movement of crops, Government supply the deficiency by the issue of emergency currency against *hundis* held by the Imperial Bank. The Bank is seldom able to tender a sufficient volume of bills against which the required amount of additional currency can be issued. It is an open secret that the Bank is, therefore, obliged to resort to the doubtful expedient of getting cash credits granted by it to its customers converted into *hundi* transactions with a view to being put up as cover against the Bank's borrowings from the Paper Currency Reserve. All these difficulties will be obviated, nay the seasonal strain on currency itself will be greatly mitigated, if proper inducement is offered to the people to draw *hundis* and accept *hundis* drawn on them and if, in consequence, a regular discount market comes into being. For the creation of a discount market for *hundis* in the *mofussil*, it will be necessary to open branches of banks at several places. Such branches will not, however, be paying propositions. We would, therefore, suggest that the co-operative banks and the indigenous bankers should be encouraged to do *hundi* business at such centres, working, if it can be arranged, as agents of the Imperial Bank wherever such an arrangement is deemed practicable and mutually beneficial. It may be expected that if a more intimate contact is established between the Bank and the indigenous bankers it would pave the way for the creation of a discount market in *hundis* in cities as well as in the *mofussil*.

200. While a *hundi* is often drawn for legitimate trade purposes, it does not bear on the face of it any indication that it is a genuine trade-bill and not an accommodation bill. A great drawback of the credit organisation in India is the absence of real trade-bills drawn by sellers on buyers, such as those constituting the bulk of the credit instruments in circulation in the foreign money-markets. There is no "prime bill", and "acceptance credit" is unknown. Paradoxical as it may appear to be, Indian joint stock banks appear to fight shy of accepting inland bills on behalf of their approved constituents although some of them open credits for such customers and make use of the sterling acceptance credit.

In the finance of the foreign trade of the country, acceptance credit plays a predominant part. If cancellation of indebtedness by the use of negotiable credit instruments is most efficiently effected in any department of Indian banking, it is in regard to the handling of the foreign trade of the country. Indian importers are financed, as a rule, under credits opened by them through the banks. A commercial letter of credit enables the exporter to draw his draft upon a bank instead of upon the importer. The exporters draw bills, accompanied by shipping documents, in terms of the credit and obtain payment for the goods from London banks with whom the credit is opened. The usual form of credit is the documentary credit, which is an authorisation by the importer to a bank to make advances to the exporter on presentation to the bank of the bills of exchange and complete shipping documents.

Similarly, bills against export are usually drawn at three months' sight; sometimes the period is shorter, but seldom longer. The term of the bill enables the importer to tide over the interval between his purchase of the goods from India and the sale of the goods in his own country. Both documentary and clean bills are drawn, but clean bills are accepted by banks only from first class shippers. The bills negotiated by the exchange banks are sent out to their offices in London, where they are presented for acceptance to the parties or banks concerned and when complete are endorsed by the banks in London and usually discounted in the open market. There is no reason why India should not develop the use of a similar form of credit for the purposes of its internal trade. We have tried to ascertain whether bankers or traders have experienced, or anticipate, any special difficulties in introducing the system, but the only explanation that is forthcoming is that "it is not the custom."

Trade acceptance credit has been so well developed in other countries that it is now operative not only between trader and trader but also between the retailer and his customer. It enables the trader to render all good outstanding accounts the equivalent of cash and reduces considerably the amount of frozen capital in business. We see no reason why advantage of this method of finance should not be taken in this country. We have no doubt that once the system is introduced, it will be popular with the banks as well as with the commercial community. If genuine trade-bills circulate freely in the money-markets of India and if they are ultimately taken to the Imperial Bank for re-discounting, the Bank would obtain the necessary cover for the issue of emergency currency. The re-discount operations may also enable it to exercise a more effective control on the money-market than it has been able to do hitherto without an organised discount market.

201. The Negotiable Instruments Act has been based on the English Law which admits the negotiability of instruments recognised by commercial custom. Under section 85 of the Act a bank is protected in case of forged endorsements on cheques. This protection, however, does not extend to drafts drawn by one branch of a bank on another or on the head office. We suggest that this defect may be removed. In our opinion the same protection should also be given to demand *hundis*.

A doubt has been expressed as to whether Government Promissory Notes, which are now governed by the Indian Securities Act, would be recognised as negotiable instruments within the meaning of the Negotiable Instruments Act, although the English Law would regard these securities as negotiable instruments. We suggest, that if there is any ambiguity in the matter, the legal position should be clearly defined.

CHAPTER XI.

CO-OPERATION.

202. The system of joint stock banks is not suited to the condition and requirements of the agricultural and artisan classes. These banks cannot lock up their funds for long periods and they find the security offered by cultivators, small traders and craftsmen insufficient and unacceptable for the kind of credit they deal in. That is why joint stock banks prefer to cater to the needs of larger industries and bigger people. The two principal agencies of finance for the small men are, therefore, the *sowcar* and the co-operative society. With the former we deal elsewhere in this Report. In this chapter, we discuss the present position of the co-operative movement as a credit agency and indicate the reforms required to make it more useful.

203. The co-operative method has been recognised all over the world as eminently suitable for developing an organised system of rural credit. The financial basis of such a system is the collective guarantee afforded by groups of agriculturists or artisans coming together in voluntary association for achievement of a common economic end. Thrift, self-help and mutual aid are the governing principles of the movement, which is besides autonomous in its methods of control. The movement was introduced in this as in other provinces in India in 1904, when the first Co-operative Credit Societies Act was passed. The operations of the societies formed under this Act were restricted only to credit. The societies were intended to be "small and simple credit societies for small and simple folks with simple needs and requiring small sums only." Besides providing cheap credit to the agriculturist, they were to perform the important task of educating him in the use of that credit and of inculcating in him habits of thrift and self-help. The functions of these societies were widened by the Co-operative Societies Act of 1912 which facilitated the organization of central banks and unions and of non-credit societies. The Bombay Co-operative Societies Act, which was passed in 1925, made the object of the movement still wider. The previous Acts were intended for only "men of limited means". Under the new Act, societies could be formed of "persons with common economic needs", and its preamble refers to "better living, better business and better methods of production", as the aim of the movement.

204. The progress of the movement in this Province has been examined twice, once by the Committee on Co-operation appointed in 1914 and again by the Royal Commission on Agriculture in 1926. The recommendations contained in the valuable report of the Maclagan Committee have received due attention and have, in most of the important matters of constitution, administration and policy, been followed substantially in this Province. The Royal Commission on Agriculture

dealt with co-operation only as a part, though an important part, of its extensive inquiry. Its recommendations, we understand, are still being considered by the local Government. Our present inquiry is confined to banking in relation to agriculture, small industries and trade, and we shall examine only those aspects of the co-operative movement in the Province which have an intimate bearing on the credit needs of the population and the development of banking facilities.

The following figures illustrate the growth of the movement till 31st March 1929 :—

Progress of the Co-operative Movement in the Province.

Year	Number of Societies	Number of Members	Working capital	Reserve Fund
			Rs.	Rs.
1924-25	4,126	392,163	7,11,66,611	41,19,774
1925-26	4,656	447,808	8,78,67,849	50,60,546
1926-27	5,091	482,730	10,26,50,816	60,86,097
1927-28	5,330	539,470	11,19,15,955	70,52,945
1928-29	5,472	548,634	11,91,79,910	80,55,092

205. The most important unit in the whole co-operative organisation is the rural primary society. The primary societies, especially those in rural areas, are not, generally, in a position to raise locally the funds required for the needs of their members, and with a view to providing such funds, central banks have been started at district towns. These banks have both societies and individuals as members and raise capital by means of shares and deposits. To balance the excess and deficiency in the resources of central banks and to serve as a central bank in areas which have no local central banks of their own, there is a provincial bank at the apex of the financial structure. Co-operative societies are also grouped into local unions for purposes of supervision.

206. Co-operative institutions concerned with rural finance differ essentially, both in constitution and working, from those for urban finance. It is, therefore, necessary to treat the two separately. The constitution of the agricultural primary societies in this Province is based on the Raiffeisen model, with its closely restricted area, joint and unlimited liability, gratuitous service on the managing committee, allocation of net profits to an indivisible reserve, limitation of loans to members only, and reliance on personal rather than real credit. The area of operations of a society is, as a rule, restricted to one village; the maximum limit of membership is fixed at 100. Funds are raised by deposits from members and non-members, and loans from financing institutions. Shares were, till recently, an integral part of the system only in Sind, but are now being introduced elsewhere in the Province. Loans are advanced generally for a short term and for productive purposes, up to a maximum fixed in the bye-laws, which cannot be exceeded

without the sanction of the Registrar or Assistant Registrar. The number of agricultural societies in the Province on the 31st March 1929 was 4,317, their membership 262,569, and their working capital Rs. 3½ crores. Thirty-nine per cent. of this capital was owned capital consisting of members' deposits, reserve fund, and share capital amounting, respectively, to Rs. 75 lakhs, 46½ lakhs and 17½ lakhs. The capital available per member for the Province as a whole was Rs. 133, though, if Sind is excluded, the average is much lower. As against Rs. 171 lakhs advanced during the year 1928-29 repayments amounted to Rs. 172 lakhs; arrears from members, however, amounted to nearly Rs. 98 lakhs, out of total outstandings of Rs. 311 lakhs. The position in respect of overdues is particularly unsatisfactory in the dry zone and the canal areas of the Deccan. It may be added that no distinction is observed in the published statistics between short-term and long-term finance, nor is any information available about the purposes and periods of loans and the security on which they are granted. If we take each family to consist of 5 persons, the number of persons depending on agriculture who have come within the fold of the rural credit movement would amount to 10·7 per cent. of the total agricultural population. The percentage varies from district to district, and the figures for Dharwar, Broach and East Khandesh, which lead in the progress of the movement, come to 27·8, 24·8 and 18·7, respectively.

207. The provision of a large amount of capital at moderate rates of interest and the organization of a self-governing system of rural credit may be mentioned as two of the advantages which co-operation has brought to the rural population. A large amount in the aggregate has also been saved by members, which would have otherwise been spent on unproductive purposes. Practical training in business matters and the acquisition of a sense of independence are other advantages which cannot be expressed in statistics. Where the movement has developed well, there has been a general reduction in the rate of interest charged by the money-lender, a benefit which is shared by non-members as well.

208. *Defects and Remedies.*—A co-operative society is a democratic institution and can work well only when conducted in a democratic spirit. This presupposes that members, whether literate or not, are able to select and control the managing committee, can understand co-operative principles, and are free from factious spirit. To the extent that these elements are wanting, supervision from outside—a question with which we deal below—is necessary. We need hardly point out that the success of the movement depends in a large measure on the judicious selection of members and the steps taken to educate them in co-operative principles. At present, careful selection of members is not universal; those that are most in need are naturally the most anxious to join co-operative societies and are admitted as members. If they become defaulters and are found to be undesirable in other ways, the credit of

SELECTION OF MEM-
BERS.

the whole society suffers. We would, therefore, suggest that this essential step of a proper selection of members should ever be borne in mind by those responsible for the management or supervision of societies. Another important requisite is that the members of a society should know one another intimately and exercise close mutual control over one another's dealings. To secure this, it is in our opinion necessary to see that membership does not become unwieldy.

209. Equally important, if not more, is the work of educating CO-OPERATIVE members in the principles of co-operation. This EDUCATION. work is entrusted at present, to a large extent, to honorary organisers, though latterly the branches of the Bombay Provincial Co-operative Institute, the central educational and propagandist body, have also come into the field. Useful as the services of honorary organisers have been, they cannot be expected to have the time to attend to the systematic education of members. The activities of the Institute in this direction are also confined at present more or less to the training of members of managing committees. This, however, is not enough. Attempts must be made to teach every member of a co-operative society not only his rights and privileges but also his duties and responsibilities. This should be undertaken by the Institute, assisted by the trained staff of the Co-operative Department. The Institute is handicapped for want of funds, the Department by shortage of staff. If the movement is to be successful, too much attention cannot be devoted to the patient and persistent education of the members of co-operative societies in the principles and meaning of co-operation. We would, therefore, reiterate the recommendation of the Royal Commission on Agriculture that the co-operative movement has a claim on the resources of Government for expenditure on such education.

We have stated above that the progress of a society depends, in a large measure, on the personnel of the managing committee and on the control which the general body of members is able to exercise over it. Where the general body is composed of illiterate members, such control tends to be inefficient, leading in the end to deterioration. We heard complaints about the inefficiency of managing committees of rural societies and about the factious spirit prevailing in some of them. Here, again, the remedy lies in education. It is only when members understand their responsibility and the implications of their voting power that better managing committees will be elected.

210. Inelasticity, dilatoriness and inadequacy are the three charges NORMAL CREDIT most frequently levelled against co-operative STATEMENTS. finance. As regards the first, it is obvious that the co-operative system cannot be made as elastic as the *sowcar's* who has absolute discretion as regards the disposal of his funds. In the case of co-operative societies, on the other hand, certain formalities have necessarily to be observed. Their system of working should not, however, be rigid and should be such as can be understood and followed without difficulty by a population not very conversant with business

practice. To remedy this defect, it is necessary to introduce the normal credit system in all the societies. This system requires a society to fix the credit limit of each member in advance of the season and make arrangements for securing the necessary finance in time. It is one of the important duties of the supervising and inspecting authorities to see that these credits are fixed by the societies at the proper time and sanctioned by the banks without delay. If this is done, members are assured that the necessary finance will be made available, so long as the society conducts its affairs properly and complies with the conditions governing the credit. As the credit limits of members are fixed at a general meeting, they are enabled to secure adequate finance and to exercise a check on one another with regard to borrowings. The Provincial Bank and some well-managed district central banks are paying proper attention to the preparation of normal credit statements. We suggest that every central bank should take special care, through its inspectors, to attend to the proper and timely preparation of such statements by its constituent societies, so that in course of time prompt and adequate finance may be secured for members through the agency of co-operative societies.

One reason for the delays that occur in granting loans is that in some areas, the societies are not expected to send their applications to the central bank until they have recovered the dues during the current season, and the central bank is disinclined to allow any fresh credit unless the current year's instalments due by societies have come in. Such a procedure seems wholly unnecessary. The societies may be asked to send their applications well in advance of the time when they require the loans. The bank should immediately proceed to sanction the credits or loans, subject to the condition that the amount will not be allowed to be drawn unless substantial progress is shown in the matter of recoveries.

211. As regards inadequacy, the maximum limits fixed under the bye-laws are sufficient for a majority of the members, but there are bigger landholders who require larger amounts and in times following a year of scarcity when people are unable to repay their loans, higher limits are also necessary even for ordinary landholders. Provision for fixing special limits in such cases with the approval of the Assistant Registrar or the Registrar is made in the bye-laws, but it is not always availed of. If normal credit statements are prepared systematically in general meetings, as suggested above, members with large holdings can apply for such special limits, and in order to reduce delays in the sanction of such limits we recommend that, in suitable cases, such limits should be assigned not only for one year as at present but for a period of three years.

212. We would point out one serious defect in the present system of advancing loans. We find that such loans are generally given to members in one lump sum. Obviously, when a member receives the full amount a long time before the whole of it is needed by him, there is bound to be some wastage. Loans ought to be advanced as and when

LOANS BY INSTAL-
MENTS.

required by the member concerned. The best system would be the one followed by several societies affiliated to some branches of the Provincial Co-operative Bank, such as the one at Islampur or Shirpur. These societies make advances to their members in instalments by means of cheques drawn against the societies' current account with the branch. The advantage of this system is that a member does not get at any time more money than he actually requires at that time and he also becomes familiarised with the use of cheques. We recognise that this system of payment of loans by cheque can be introduced only in places where communications are satisfactory and where there is a bank or its branch within easy reach of the village societies, but we hold that there should be no insurmountable difficulty in the way of societies advancing loans by instalments.

213. The present model bye-laws do not make any clear distinction between short, intermediate and long-term loans. SHORT-TERM AND LONG-TERM FINANCE. Under one bye-law, loans are allowed for different periods not exceeding five years, while under another, loans for the liquidation of old debts or for land improvement can be given for periods not exceeding ten years. The loans under the former bye-law are usually advanced on the security of two sureties and under the latter on the possessory mortgage of immoveable property. We suggest that in the bye-laws as well as accounts, short-term, intermediate and long-term loans should be clearly distinguished. The first class of loans will be "crop loans" required for a period not exceeding what is necessary for raising, harvesting and marketing the crop, the second will be loans for a period not exceeding five years, and the third for a period exceeding five years. If this is done it will be easier for central banks to raise funds from the Imperial or other joint stock banks by pledging paper of the first kind.

214. Whether it is desirable to start separate societies for big landholders or to include them in the ordinary village credit societies is a question that has often been raised. SOCIETIES FOR BIG LANDHOLDERS. On the one hand, the inclusion of such landholders in the village society enhances its credit and the society is also able to secure the services of men of good status and education to look after its management. On the other hand, such landholders are likely to have too powerful a voice in the management of the society, which might then lose its democratic character, and unless the landholders are imbued with the spirit of public service, they may feel inclined to take advantage of their position and appropriate a large part of the society's funds to themselves. If they default, the whole society suffers, the amounts borrowed by them being large. In some tracts, as in Gujerat, the terms and conditions on which loans are advanced by village co-operative societies may not be suitable for big landholders, or they may themselves hesitate to assume unlimited liability and pledge their large assets for a number of persons with small means and poor assets. In Sind, the experiment has been tried, with success, of starting separate *zemindari taluka* or district banks on a limited liability basis for big landholders. We suggest that similar

societies may be organised in the Presidency proper in tracts where there is a fairly large number of big landholders. Where their number is small they should, if properly qualified, be enrolled as members of the village credit societies.

215. So long as the majority of members of a society continue to be

illiterate and incapable of exercising an effective
 SUPERVISION. check over the managing committee, regular supervision by some outside body is necessary. The control of the Co-operative Department is at present chiefly confined to audit, that of the central bank to the examination of assets and normal credit statements and to the distribution and, in some cases, to the use and recovery of loans. The supervising union composed of representatives of affiliated societies, with a nominee each of the Co-operative Department and of the central financing agency on its managing committee, is best suited to exercise the supervision just referred to. Its effectiveness as a controlling agency, however, depends upon the co-operative spirit of the members of the committee and especially on the efficiency of the supervisor.

We think that greater care ought to be taken than is now exercised as regards the selection and training of supervisors, and that such selection should be subject to the approval of the district federations of unions that are being formed now. It will be desirable to form a district, or if possible, a divisional cadre of supervisors, under the control of the district or divisional federation as the case may be, who should have the power of transferring and promoting the supervisors in consultation with the unions concerned. The better prospects that the federation will be in a position to offer would allow a better class of supervisors being selected and lead to greater efficiency.

216. We find that some societies have deteriorated and that some had

actually to be cancelled, as the banks refused to
 DEFAULTING SOCIETIES. advance them loans owing to the default of a large number of their members, though others might have paid their loans punctually. It is true, theoretically, that for the good working of a society, corporate responsibility has to be enforced, but, in our opinion, in the present state of development of the movement, this principle need not be enforced too rigidly. The difficulty is that the good members of the society have to suffer for the default of the majority. The defaulters ought not to get any more finance and ought in the end to be dismembered, but banks should advance, under proper safeguards, the amounts required for financing good members. The banks may make such advances only if they are satisfied that due action has been taken by the society against the defaulters. It is true that such finance, if unregulated, may prove to be a danger, but as part of a policy of rectification and consolidation it has everything to recommend it.

217. Closely allied to the problem of defaulting societies is the

question whether a society should be cancelled if it
 SUSPENSION OF SOCIETIES. is being mismanaged, or whether, after the mismanagement has come to light, there should be some intermediate stage before its liquidation. At present, the only

step that the Registrar of Co-operative Societies can take, besides giving advice or warning, is to order an inquiry and to get the cost of the inquiry recovered from the persons responsible for the mismanagement. If matters do not improve, a liquidator is appointed to wind up the affairs of the society, and it is eventually cancelled. Good members suffer with the bad, and the former lose the benefit which they may have derived from the movement and have again to fall back on the *sowcar*. We think that the supervising union as the local controlling authority should have the power, with the consent of the Registrar, to suspend a society when it is not working properly and to entrust the management to a suitable person or persons for a definite period not exceeding two years. If the desired improvement takes place during that period, the society may be ordered to be reinstated. Otherwise, it may be ordered to be wound up.

218. We find that during the last few years, the Co-operative Department has followed a policy of consolidation and improvement rather than of expansion, with the result that the increase in the number of agricultural credit societies, during the last two years, has been only 295. It seems to us that the time has now arrived when the organisation of new societies may be taken up again at suitable places after careful preliminary inquiry. The policy of rectification will have to be continued for some time to come, but this work is not incompatible with the starting of new societies where conditions are favourable. Owing to the limited staff at its disposal, which was unable to cope with the increasing number of societies, the Co-operative Department was justified in following a cautious policy, and using what staff it had mainly in improving existing societies rather than leaving them alone and registering new ones which could not have been properly supervised. A policy such as this may be good for a short time, but its continuance over a period of years can hardly be justified. There are, in the Province, many areas in which new societies can be organised after necessary preliminary inquiries. No fears need be entertained that when started the new societies will lack financial facilities because, as we shall see later, there are at present ample resources available at the disposal of the co-operative movement which, it is expected, will expand in response to its demand for funds. In the selection of areas and in the essential steps of selecting and educating members, caution, in our opinion, is necessary, for it need hardly be emphasised that it is better to have a smaller number of strong and efficient societies than a larger number of weak and inefficient ones. Subject to this condition, however, we strongly urge that, with all the ordinary safeguards, more societies may now be organised wherever the ground is ready for them. It is true that an increase in staff will be necessary, for without an adequate staff, it will not be possible to arrange for general supervision or audit, but we think that in the interests of the agricultural population Government ought not to grudge the additional expenditure that may be necessary.

219. The utility of a co-operative society is to be considered from two points of view ; the financial facilities that it can give and the opportunities for savings and investment that it affords. For the purpose of encouraging savings in the Presidency proper, reliance has, till very recently, been placed almost entirely on deposits. In very few societies, however, the deposits are voluntarily made by members, a large part of the deposits figuring in the annual returns as members' deposits being compulsory deposits deducted at the time of advancing loans. Members now understand the desirability of such compulsory savings and consider that deduction from loans is the most convenient way of effecting savings. It is true that in the case of the co-operative society the amount deducted is credited to the borrower's deposit account and is not appropriated by it, as is the case with the money-lender, but the system resembles the system of discount deduction followed by the ordinary money-lender, and ought not, in our opinion, to be continued longer than is absolutely necessary. Compulsory deposits are usually five to ten per cent. of the loans advanced and are fixed for periods varying from five to ten years and are, in the case of many societies, not demanded back unless a member resigns or dies. In a way, such deposits appear to have discouraged voluntary deposits as the capacity of an average member for savings is usually fully taxed when compulsory deductions are made. In our opinion, the share system would be a better method for encouraging thrift than such compulsory deposits, provided the share money is collected at the harvest time as is now being done in Sind where the system prevails almost throughout the province. Even when a system of instalment shares is introduced, the need for voluntary fixed deposits remains, and members of societies should be encouraged to make such deposits. At the same time, the societies should make proper arrangements to see that these deposits, when they mature, are paid off punctually, if required by the members, as it would otherwise be difficult to induce them to entrust their savings to the societies.

We find that efforts have been made since 1923 to introduce the system of savings deposits but it is only in very few villages that it has been introduced so far with success. It would be a great encouragement to people to save if some means of keeping their temporary surplus near at hand were available. We, therefore, recommend that efforts should be made to introduce this savings deposit system in all well-managed societies, especially those situated near a bank or its branch, where they can deposit the bulk of such deposits and make withdrawals when needed to meet members' demands.

220. For many years after the co-operative movement was started in this Province, attention was specially directed towards the development of agricultural co-operation, but the urban side of the movement was not altogether neglected. It was natural that the co-operative system as developed in this Province should cater to the needs of agriculturists rather than those of small artisans and traders. The co-operative form of organisation is however, as suitable for the finance of small industries and trade as for the finance of agriculture

During the last ten years, urban credit has made good progress in this Province and has attained considerable success in several centres. Co-operative urban banking has a greater significance and use in India than in western countries for, as has been pointed out elsewhere, in the *taluka* and *bazar* towns, the Imperial or joint stock banks are almost out of the field, and the only form of organised banking that can be established in such places is co-operative banking. Even in big urban areas like Surat, there is considerable and increasing scope for co-operative banks. Persons who cannot be financed by other banks can and do go to urban banks.

These urban societies work on the principle of limited liability, and societies with a working capital of more than Rs. 50,000 are classified as urban banks. They finance local trade and crafts and give modern banking facilities of all kinds. The policy followed by the Co-operative Department in the Province is to multiply such banks until a very large volume of modern business outside presidency towns is done through co-operative banks run for and by the people themselves.

On the 31st March 1929, there were 535 non-agricultural credit societies (including urban banks) with a membership of 1,74,820 and a working capital of Rs. 2,91,71,528. The share capital and members' deposits were Rs. 63,78,446 and Rs. 1,51,27,702, respectively, and loans outstanding amounted to Rs. 2,15,10,469. In the city of Bombay alone there were as many as 166 such societies with a membership of 72,726 and a working capital of Rs. 112 lakhs. The turnover in non-agricultural credit societies is quicker than in agricultural societies, and advances during the year 1928-29 amounted to Rs. 249 lakhs and recoveries to Rs. 230 lakhs. The proportion of overdues too was lower, arrears amounting to Rs. 24 lakhs against Rs. 215 lakhs, the total outstanding loans for this class of societies. These societies depend mainly on their own resources for funds, and borrowings from central financing agencies stood at under Rs. 9 lakhs at the end of the year, representing only 3.7 per cent. of the aggregate working capital.

Urban societies can roughly be divided into the following four classes:—

(1) Societies which aim at doing banking business in general, particularly for traders, entrepreneurs and artisans.

(2) Societies for salary-earners.

(3) Societies which meet the needs of all classes in urban areas working on a scale smaller than those covered by (1) and content to work as simple credit societies in comparatively smaller areas.

(4) Societies organised for special purposes or special classes, such as thrift societies, educational societies, debt redemption societies and communal societies.

221. From the point of view of banking, the societies under clause (1) are the most important societies. There are

URBAN BANKS. 70 urban banks in the Province with a working capital of nearly Rs. 2½ crores. The idea of having one people's bank in each *taluka* has now been almost realised in some parts of the province such as the Karnatak. These banks do all kinds of banking business, that is, give loans, credits and overdrafts, and discount bills. They command

good credit and have raised a large amount of capital locally. The definite aim of these banks is to try to do for the small trader and the small merchant what the bigger banks are doing for the big trader and the big merchant. In the development of urban banking on sound lines, what is required is proper supervision and technical advice. It must be remembered that co-operative principles have a more intimate bearing on the productive employment by co-operative banks of their capital than on the methods of raising and banking their resources. We suggest that urban banks in the linguistic divisions of the Province should be federated into divisional unions of the kind already organised in Gujerat, and that each union should have a competent officer to work under it who can go round to supervise and advise the constituent banks and societies.

A proposal was made to us that urban banks should be allowed to finance joint stock concerns. We cannot accept the suggestion as the principles of such concerns are different from those of co-operative societies and there are risks involved. The needs of such concerns may be met more appropriately by industrial banks the establishment of which we have advocated in Chapter IX. The question was also raised before us as to whether such urban banks should be allowed to admit as members and finance men with large requirements. As these banks are mainly intended for small men, we think that the claims of such men should have a preference over the demands of bigger men. Several banks, however, have ample funds at their disposal after satisfying the demands of men with small means, and we see no objection, provided there are sufficient funds, to the urban banks financing bigger men, especially in areas where banking facilities are not available locally. Provided such financing is not carried on to an extent detrimental to the interests of the smaller men, there may be some advantage in extending the scope of operation by the inclusion of dealings with persons with larger requirements. We know that there is a danger of the interests of the small men being subordinated to those of the bigger men. This difficulty can be overcome by fixing the maximum amount which can be advanced to the bigger men, and also, by fixing, with the Registrar's sanction, the maximum limit up to which an advance can be made to any individual.

Some of the urban banks would like to be allowed to finance co-operative societies of artisans constituted within the urban areas covered by them. Such artisans' societies are at present usually financed by district central banks. The argument in favour of the view that the urban bank should finance them is that it is more in contact with the artisans in its own area than the district bank with its staff engaged in supervising agricultural societies can be. We think that the operations of the urban banks should be limited to the financing of their individual members, and that the finance of all primary societies, whether agricultural or non-agricultural, should be the concern of the district banks. Unless the functions of these two agencies are clearly demarcated, there is likely to be confusion.

There are two directions in which the business of urban banks could be considerably expanded : (1) advancing on the security of agricultural produce, and (2) advancing on the security of gold and silver. A promising beginning has been made by a few banks in advancing on the security of produce, but for this purpose godown arrangements are necessary and in any case very great care is required for the custody of such produce and of the gold and silver pledged as security. Unless the banks are satisfied that arrangements can be made for such storage they should not undertake this business. Such banks may require help in the shape of loans for construction of godowns and we propose that the facilities recommended by us in Chapter VII for co-operative marketing societies may be extended to them.

We find from the evidence tendered to us that some of the bigger urban banks are locking up their capital in loans on the security of house property. Urban banks which are doing work similar to joint stock banks should follow the practice of the latter and concentrate mainly on short-term business which is required by the class of people whom they finance. We would like to utter a word of warning against urban banks locking up their funds in loans on the security of houses and landed properties, when their deposits are generally for short periods. Cash credit accounts with frequent operations and a large turnover should be encouraged.

222. The sphere of operations of salary-earners' societies is restricted to employees of a certain department, firm, or corporation, or certain sections thereof. Usually, such societies work well as they are helped by employers in the recovery of their dues and of compulsory subscriptions. It is obligatory on the members of these societies to pay subscription on a scale fixed in the bye-laws. A few years after their registration, the savings of members and the reserve fund usually exceed their outside borrowings. Corporations or companies which employ them should continue to help them as at present by deducting instalments from salaries. Salary-earners' societies, we suggest, should be looked upon primarily as thrift societies for collecting and investing safely the savings of their members. Credit, when allowed, should be based on the desire and ability of members to practise thrift.

223. Factory-workers' credit societies also fall within this class, but they constitute a very different problem. For cotton spinning and weaving mills, Bombay and Ahmedabad are the centres. On the 31st of March 1929, there were 64 millworkers' societies in Bombay with a membership of 3,853 and a working capital of Rs. 1,30,404. Co-operative work is carried on either by the Social Service League or by some millagents interested in welfare work. The bulk of the factory workers is still outside the co-operative movement. The main difficulty in the way of organisation is that the men are ignorant, illiterate and are not permanently settled in Bombay and do not stick to one mill. What little savings they make in Bombay they remit to their native places for the maintenance of their families and for repaying old debts. The principle of basing

credit on savings can, therefore, hardly be applied in their case, and their societies are hence more of the nature of loan than of thrift societies. The factory workers still continue to be very much in the hands of *sowcars* and *marwari* traders and the only service the societies render to them lies in securing them funds for domestic expenses.

224. The depressed classes are to be found in towns, where they find SOCIETIES FOR work on monthly or daily wage, or in rural areas DEPRESSED CLASSES. where they are often *watandars* cultivating their own small parcels of land, following their traditional vocation such as dealing in skins and hides, or working as field labourers. Their financial condition is generally very unsound, so that when they have to borrow, as they often have to do, they have to pay an exorbitant rate of interest to their creditor, who is often a *marwari* or a Pathan. In rural areas, members of the depressed classes are generally admitted as members of village credit societies and we do not think it is necessary to organise separate societies for these classes, except when the men are engaged in some industry such as leatherwork or weaving, for which special arrangements in respect of finance are required. When there are distinct groups of such workers, separate industrial societies may be started on the lines of other artisans' societies. Ordinarily, such of them as have the necessary credit should be admitted into the village credit societies and should be provided with finance like the members of other communities. Special societies may also be necessary in urban areas for persons belonging to these classes who constitute distinct groups by reason of their being engaged in some particular trade or industry. But the problems of organisation, management and finance in their case present serious difficulties, and the best course for them will be to seek admission to urban peoples banks, the doors of which are open to all classes of the community. Where large numbers are engaged in the service of a public corporation, the public body may be induced to start a co-operative society to which these men should be freely admitted as members. Such co-operative societies organised on the model of the salary-earners' societies have been found to be of great benefit to these people, but to be successful, the societies must receive the sympathy and support of the public body employing them. It is only in such cases that the loans advanced by a co-operative society can be recovered with ease by deductions from their monthly salary. When no such help is received from the institution concerned, or when societies are formed on a residential basis, arrears are apt to increase and the societies often fail. This has been the experience in another but in a somewhat similar direction, of the nineteen debt redemption societies for depressed classes formed in Bombay sixteen years ago. Most of these societies have had to be wound up. The failure of the societies was mainly due to the illiteracy, ignorance and want of a sense of duty and honour on the part of the members. Until character and business habit develop, it is necessary that the organisation of societies for these classes in urban areas should be confined to servants of public or private bodies which are willing to assist in recovering the loans by making deductions from the members' salaries.

225. An important feature of the co-operative movement in this Province has been the development of sale organisations, especially the cotton sale societies. We discuss in Chapter VII the important questions affecting this organisation. Here we shall deal only with the subject of finance by sale societies. We think that, as a rule, a sale society should make no advances to its members except on the security of goods brought to it for sale. For ordinary cultivation expenses, the member must look to the co-operative credit society for finance. Even for the expenditure that may be necessary during the process of marketing, it is the credit society which should ordinarily supply the necessary funds. There would, however, be no objection to the sale society making an advance for this purpose, provided this is done in consultation with the credit society. It would also be to the benefit of all concerned, if some arrangement were made by which the credit society would see that the produce of its members is sold through the sale society, and the sale society should see that the sale proceeds of a member's produce are first credited to his account with the credit society in payment of any loan he may have taken from such society.

226. Land improvement societies undertake joint works of improvement, such as the erection of dams across streams, or the fencing of large areas of land belonging to different persons. There are 24 such societies in the Province which have been able to do very good work. The fencing societies constructed, during the year 1928-29, twenty-five miles of wall or wire-fencing, and the total area which has thereby been protected from the ravages of wild animals is 8,436 acres. Such societies generally receive loans from Government for land improvement. We think that the policy of Government loans should be continued until land mortgage banks are started which can take over the work of financing these societies.

There is, however, a great obstacle in the way of any development of this useful co-operative activity. Unless all the owners of land which are likely to benefit by an improvement of this character agree to combine, the whole scheme is held up. The question has been raised as to whether, in the interests of agricultural development, such persons should not be compelled to join the society. We think it is necessary to give power under the law, to compel the minority to join such a scheme and to contribute towards its expenditure and maintenance, but such steps should be taken only when 75 per cent. of the holders of land owning at least three-fourths of the land falling within the land improvement scheme agree to combine and form the society.

227. We have pointed out in the earlier part of this Chapter that a little over 10·7 per cent. of the agricultural population of the Province has now been brought within the co-operative movement and that the advances repayable by members amount to nearly Rs. 311 lakhs. The amount actually advanced was about Rs. 171 lakhs,

to which may be added about half a crore outstanding on account of some intermediate credit allowed in previous years. In Chapter V, the financial requirements of the agriculturists for their current needs have been estimated at about Rs. 32½ crores. The co-operative movement, therefore, provides about 7 per cent. of the finance required for this purpose. Though the movement started later in the urban areas, it has made good progress and banking facilities are now available in many of these areas where they were not to be had before through organised banks of the modern type. However, both in the matter of rural and urban finance, the ground covered is comparatively small and there is much room for further progress. We have pointed out in various sections the steps which are necessary for the further expansion of the movement. We have suggested the formation of new societies in selected areas, the extension of the system of special limits of loans for individual members of existing societies, the reduction of formalities, the organisation of better supervision and the provision of arrangements for the training of members in co-operative principles. We have also pointed out certain defects, the existence of which retards the progress of the movement. The task before the co-operator is how to eliminate these defects and at the same time to educate the borrower into a state of economic efficiency which will enable him to take the utmost possible advantage of the new credit machinery. The cultivator is accustomed to go to a man who is both a financier and a commission agent for the sale of his goods. The co-operative banks, if a little elasticity in the working of their machinery is permitted, and if they open their branches in the *talukas* as suggested later, can perform several of the functions hitherto monopolised by the *sowcar*. Co-operative societies have one thing in their favour as against the joint stock banks, that they not only tap local capital but utilise it in the local area. Thus their working is not open to the objection which is often raised in connection with the operations of the Imperial Bank of India and joint stock banks that they deplete the local areas of their capital for the benefit of the larger urban centres.

With the spread of education, and under proper guidance from a trained and increased staff, there is little reason why the movement should not advance at a growing pace. There is no difficulty about raising funds; the difficulty lies in seeing that the funds which the public have placed at the disposal of the movement are properly utilised and that nothing is done that will shake public confidence.

228. As pointed out at the commencement of this chapter, central banks have been started, in various districts, to raise local capital and make it available for advances to affiliated co-operative societies. The policy of having a local bank for each district was initiated in 1916. Before that year the financing of co-operative societies all over the Presidency proper was mainly in the hands of the Bombay Central (now the Provincial) Co-operative Bank. It was, however, not before the year 1920 that the policy of entrusting to the local central bank all responsibility for finance within its area was systematically

CENTRAL FINANC-
ING AGENCIES.

followed. There are now in existence 19 central banks, the financial position of which on the 31st of March 1929 is shown in the following table :—

				Rs.
Share capital	..	..	..	29,05,674
Reserve Fund	..	..	..	4,41,502
Deposits	..	..	..	2,18,42,352
Working Capital	..	..	..	2,65,58,230
Loans due from societies	..	..	..	1,57,60,831

Eighteen of these banks have both societies and individuals as members, and there is one banking and supervising union composed of societies only. The banks in the Presidency proper are all affiliated to the Bombay Provincial Bank with which they have regular business relations, while for the province of Sind, the Sind Central Bank is the apex bank. The Sind Central Bank is itself connected with the Provincial Bank in Bombay, like central banks in the Presidency proper.

The liability of these banks is limited and they raise funds by shares, loans and deposits, and may arrange cash credits with the Provincial or joint stock banks. Loans are advanced only to societies. Sometimes, an exception is made, with the permission of the Registrar, and individual members of banks are given advances against the deposit of goods, or overdrafts against their fixed deposits. The banks maintain a staff of inspectors whose duty it is to examine the statements of assets and normal credits, to watch over the use of loans and the progress in recoveries and to keep the banks in touch with the working of their affiliated societies. The efficiency of the staff varies from bank to bank, but though the standard of efficiency is rising, there is much scope for further improvement in several banks. Like the Provincial Bank, some central banks have also opened branches at *taluka* towns in their jurisdiction. The number of such branches is 26. The total number of primary societies affiliated to the banks was 3,824 and the amount outstanding at the end of the year 1928-29 was Rs. 1,57,60,831. Advances made during the year amounted to Rs. 1,08,64,080 and recoveries to Rs. 1,21,88,197. The rates of interest vary from 4 to 7 per cent. for deposits and from 7 to 8½ per cent. for advances. Most of the banks have been able to secure adequate capital by inspiring confidence among the investing public. Few of them, however, have been able, latterly, to utilise fully, within their districts, all the funds raised by them.

229. The Bombay Provincial Bank, which is the apex bank for the Province, was registered in 1911 under a special agreement with the Government of Bombay. As there were no central banks at the time in existence in the various districts, the area of the Bombay Central Bank extended all over the Province. After 1920, when the formation of district central banks became an integral feature of the financial policy of the Province, such central banks were organised for many of the districts, and in 1923, the name of the Bombay Central Bank

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CO-OPERATIVE BANK.

was changed into the Bombay Provincial Bank. It performs the role of an apex bank for areas where district banks are in charge of the financing of societies, and for other areas continues to have dealings with primary societies mostly through its branches. There is, however, no overlapping or competition between the two financing agencies in any one area.

The membership of the Provincial Bank is open both to individuals and co-operative societies, including central banks. Its membership at the end of 1928-29 consisted of 738 individuals and 1,375 co-operative societies. The profits of the bank after the payment of a dividend of six per cent. to the shareholders are to be shared equally between the members and the borrowing societies. This arrangement tends to reduce the rate of interest on loans whenever excess profits are earned.

The following table shows the financial position of the Provincial Bank as on 31st March 1929 :—

			Rs.
1. SHARE CAPITAL	..	..	12,74,350
2. RESERVE AND OTHER FUNDS	..	..	5,64,054
3. DEPOSITS—			
		Rs.	
Individuals	..	..	53,78,057
Societies and Banks	..	..	91,74,564
			<hr/> 1,45,52,621
4. WORKING CAPITAL	..	..	1,84,46,486

Under its agreement with the Secretary of State for India in Council, the Bank is authorised to issue debentures up to a maximum amount of Rs. 20 lakhs provided that the amount of issued debentures at no time exceeds thrice the paid up share capital. The rate of interest is 4 per cent., payable half-yearly, and this is guaranteed by the Secretary of State until the debentures are redeemed. The maximum period of redemption is 42 years and the minimum 28 years. A sinking fund is created before the profits are arrived at, the contribution varying from 1 to 2 per cent. of the amount of debentures outstanding. The total amount of debentures subscribed was Rs. 7,80,000 on 31st March 1929. The fourth series of 500 debentures specifically earmarked for the purpose of making advances to co-operative land mortgage institutions has been issued very recently, and out of this series, Government have taken up Rs. 2 lakhs worth of debentures at 12 per cent. discount and have further agreed to take up the remaining 3 lakhs, at rates to be settled when money is actually paid. Another interesting feature of the Bank's working, as mentioned in Chapter VI, is that it acts as the agent of Government in distributing advances to co-operative societies and their members under the Land Improvement Loans Act. The total amount of such advances stood at Rs. 4.83 lakhs at the close of the year 1928-29.

The Bank deals both with primary societies and central banks. The number of primary societies financed is 1200 and all except 127 of these societies transact their business with the bank through its branches. The

outstanding loans amounted to Rs. 66 lakhs out of which 56 lakhs represented outstandings with primary societies. Only Rs. 3.59 lakhs out of this amount were advanced by way of long-term loans.

230. The Provincial Bank has no powers of control or supervision over the central banks except what it may exercise as a condition attached to the grant of finance. For all practical purposes the control or supervision exercised at present may be taken as non-existent.

The Provincial Bank serves as a true apex bank for the inland exchange business of all co-operative institutions, including central banks in the Province. It also gives to central banks, as it does to other co-operative institutions and the Department, expert banking advice, whenever asked for. It serves as the connecting link between the co-operative movement and the general banking world.

The Provincial Bank with its efficient staff has been a potent factor in the development of the movement on sound lines, especially in the tracts where it finances societies direct. It has also been helpful to district central banks in offering advice and guidance, whenever these are asked for, but opportunities in this direction have considerably diminished in recent years owing to the fact that most of the district banks have become independent of the Provincial Bank in the matter of finance and avail themselves of it chiefly for depositing their surplus funds. The Registrar, in his last annual report, has pointed out the danger which the policy of isolation followed by the district central banks entails. We agree with him in thinking that there should be much more co-ordination between the Provincial Bank and the central banks and for this reason we suggest in paragraph 233 the formation of a committee under the aegis of the Provincial Bank.

231. As regards the areas in which the societies are directly financed by the Provincial Bank, the ultimate policy should be to evolve a banking union out of every one of its present branches and for the Bank itself to serve as an apex bank for the Province. The Provincial Bank should have considerable powers of control over the banking unions, particularly in connection with the selection of staff and the determination of the general financial policy. A beginning may be made by changing the constitution of branch advisory committees so as to convert the advisory committees into local boards of directors, empowering them to advance loans up to a fixed maximum amount for a single society. A separate book reserve may also be created for the area. The next step will be the conversion of the branches into banking unions. This may be made dependent upon two conditions, first, that the union, with the assistance of the Provincial Bank, should be in a position to give the same facilities to the constituent societies as are obtained by them at present, and secondly, that two-thirds of the societies in the area should agree to the conversion.

We think that the business of the central banks will develop satisfactorily if they follow the good example set by the Provincial Bank and start branches in the different *talukas*. As mentioned above some banks have already embarked on this policy and the results of the working of their branches are as encouraging as the experience of the Provincial Bank in this respect. The opening of branches enables the banks not only to come in more direct touch with the societies, but also to meet their needs adequately and promptly and arrange for proper inspection. A branch can become, as many of the branches of the Provincial Bank have already become, the co-ordinating agency for various co-operative activities in the *taluka*, educational and economic. The central banks are the pivots of the movement on its financial side in the district, and hence the development of the societies in their charge depends upon the way in which they discharge their duty by responding to the financial needs of these societies. It is, we hold, incumbent on every central financing agency to make a systematic study of the financial requirements of members of their affiliated societies, to gauge their requirements for agricultural and other necessary purposes and to evolve a policy of finance suited to the varying demands of different tracts served by them. In the task of evolving such a policy, the assistance of trained agricultural or economic experts will be invaluable, but the ultimate responsibility will rest with the financing agency itself. The value of a central bank's service in this respect will depend largely on the efficiency of its inspecting staff, and hence the training and proper selection of inspectors are, in our opinion, as important as the method of recruitment and qualifications of the office staff.

232. A proposal was placed before us in Sind for the centralisation of all co-operative finance in one institution either for the whole Province including Sind, or, if that were not feasible, in two institutions—one for the Presidency proper and another for Sind. Briefly, the proposal is that there should be one Central Bank for the whole Province with branches in the various districts, and, wherever necessary, in *talukas*. The present district banks and their branches should be merged into branches of the proposed Central Bank. Such centralisation at present exists in the case of land mortgage credit in this Province, and we have, in Chapter VI, recommended that it should so continue, but that the centralised institution should be different for this purpose from the present Provincial Co-operative Bank.

The advantages claimed for the centralisation of co-operative finance are that the credit of the central institution being appreciably higher, it will be able to raise capital at a cheaper rate than separate district institutions and that it will be able to maintain a better staff and exercise a stricter control. It has been argued that such an institution will be able to introduce new developments which it is not possible to embark upon in the present circumstances. Although there is much force in these arguments, we do not favour the proposal. Except in a few areas, district banks have already been organised and have, in many cases, been doing good work for several years past. They have, in most cases,

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OF CO-OPERATIVE
BANKING.

been able to raise sufficient local capital to meet their needs. It will, in our opinion, be undesirable to convert these independent institutions into branches, and to turn their boards of directors into advisory committees. We do not think that the advisory committees will show the same interest in the working of the branches of the proposed amalgamated bank as the present boards are doing in the case of their own banks with great advantage to the general public, and we fear that if centralisation is carried into effect as suggested, the whole organisation will come to be governed too much from the centre, and will depend for its proper working mainly on a paid staff.*

233. It is, however, necessary that with their increasing business and the extension of the field of their activity in different directions, central banks should be in touch with one another, should have a unified policy and should co-ordinate their work. The Provincial Bank is, as the apex bank for the Province, admirably suited to take the initiative in this work of co-ordination. We suggest that under the aegis of this Bank, a small committee containing a representative of the Co-operative Department, one of the Provincial Bank, three of central banks and one of urban banks should be appointed. The committee should look into all important matters, particularly the training of staff, their adequacy and efficiency, the borrowing and lending rates of the banks, mutual arrangements regarding exchange business, maintenance of fluid resources, inspection of central banks and divisional federations of urban banks and similar matters of common interest. It should be in a position to give expert banking advice to the various banks and see that it is followed.

In this connection, we should like to emphasize that the success of all banking organisations within the co-operative movement, the urban, central and provincial banks, depends mainly on the efficiency of the staff and its thorough grounding in the principles and practice of banking, general and co-operative. Though this is a truism, it has to be emphasized because co-operative banks, unlike joint stock banks, do not always enjoy the advantage of having their operations guided by directors possessing knowledge of the world of business and conversant with the intricacies of banking procedure. There has been recently, among central and urban banks, a welcome tendency to engage trained or qualified persons for responsible duties. It will be one of the earliest tasks of the proposed committee to prescribe the minimum qualifications for the office and field staff as well as to arrange for regular courses of training in consultation with the Provincial Co-operative Institute. Whether separate provincial or divisional cadres are required for the staff of central or urban banks is also a matter to which the committee may well devote its attention.

* Mr. J. N. R. Mehta is in favour of centralisation and of the organisation of branches of a central apex bank in the districts, in the place of independent district banks. In his opinion, such a centralised institution will be able to raise funds more cheaply, and finance societies, both credit and non-credit, more fully than district banks can do. Another great advantage, according to him, would be the possibility of securing a more efficient office and inspectorial staff.

234. We do not think that it is either necessary or desirable for the banks to co-operate for the purposes of borrowing or lending on a provincial scale. Most of the central banks have shown their capacity to raise locally all the money that they require at moderate rates of interest. They have gained the confidence of the public to such an extent that they get more money than they can use immediately within the movement itself. We have also heard no complaint that these banks have been competing with one another. In these circumstances, we think that the best policy is to leave each bank free to raise its funds locally in the way it thinks fit, subject to such restrictions as may be imposed by the proposed committee. It is true that in respect of land mortgage credit, we have recommended the issue of debentures only by one central authority, but the analogy does not hold good in the case of short-term credit. In the case of land mortgage banks, the long-term capital required is large in amount and the field for raising such capital is limited. It is, therefore, necessary to raise it through an agency in the principal money market, if favourable terms are to be obtained. Short term capital can be raised locally, and this, as experience shows, the district central banks are quite capable of doing for themselves.

235. As in other countries, the co-operative movement here has received certain concessions from Government. There are various reasons why such concessions are necessary. The movement caters to the needs of a very important section of the community which, but for the help rendered by it, would remain outside the scope of modern economic organisation. Without some concessions however, the movement will find it impossible to compete against interests which have been in the field for very many years before co-operation was introduced in this Province. The constituents of this movement are generally persons of small means and the idea of profit-making, as such, is eschewed. An attempt is made to render service on terms which just enable the co-operative society to meet expenses, including a limited remuneration on capital.

In the course of their evidence, various suggestions were made by several witnesses for the grant of a certain number of concessions in addition to those at present enjoyed by the co-operative societies and banks. We examine below some of the more important among those proposals seriatim, putting forward our own views and recommendations.

At present, co-operative societies enjoy exemption from payment of income-tax on their profit. It has been urged that the grounds on which exemption from income-tax is allowed hold good in the case of super-tax also, because super-tax is defined as an additional duty of income-tax. The Bombay Co-operative Societies' Act provides for the grant of exemption from payment of super-tax by the issue of a notification by the Government of India, and as the original notification under the Government of India Act II of 1912, relating to income tax, was issued when super-tax was not contemplated, we recommend that a

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STATE AID.

(1) EXEMPTION
FROM SUPER TAX.

fresh notification be issued as provided for by the provincial law. There seems to us to be no valid ground for recovering super-tax from co-operative societies.

The grounds mentioned in support of exemption from super-tax hold good also in the case of exemption from income-tax on securities. Co-operative banks can deposit or invest their surplus only in certain securities or banks. It has been represented to us that while such banks are called upon to deposit a certain proportion of their funds in Government securities for the purpose of fluid resource, it is unfair that such investments should be taxed at the source and treated as if the interest earned was income derived from business that lay outside the legitimate operations of co-operative banks. We see the force of this contention, and as the grant of this concession is also provided for by the Bombay Co-operative Societies' Act we suggest that a revised notification allowing the concession be issued by the Government of India.

The suggestion has been made that at selected centres where there are no branches of the Imperial Bank of India, the work of managing sub-treasuries may be entrusted to the branches of the Provincial Co-operative Bank or well-managed district central co-operative banks. This, it has been argued, will be an advantage both to Government and the community and will enhance the status of the co-operative banks. Though there is nothing inherently wrong in this proposal, we would desire co-operative banks to develop their own arrangements for agricultural finance and raise the efficiency of their own credit organization before assuming heavy responsibilities in a field of activity which will not be directly helpful in bringing them into close touch with their real customers.

The proposal has been made that the demand drafts of co-operative banks or of their branches on the apex bank in Bombay should, within limits, be honoured by local sub-treasuries. At present, payment is made by sub-treasuries against drafts received from Bombay. The underlying object of the proposed arrangement is to reduce delays in the receipt of funds. We approve of the proposal, subject to arrangements to be settled in advance, laying down terms on which this business would be done, and the safeguards to be prescribed. If this arrangement works satisfactorily and *taluka* treasuries do not experience any difficulties, a further extension of the proposal is possible in future. This may take the shape of discounting, on easy terms, short-dated bills of co-operative banks, provided the advances are of a self-liquidating nature, and made on the security of agricultural produce pledged to such banks.

It has also been suggested that the Provincial Bank or well-managed district central or urban banks should be appointed, under proper safeguards, as agents of the Imperial Bank of India or the proposed Reserve Bank in centres where the Imperial or Reserve Bank cannot open its branches

(2) EXEMPTION
FROM INCOME-TAX ON
SECURITIES.

(3) MANAGEMENT OF
SUB-TREASURIES.

(4) ENCASHMENT OF
DRAFTS.

(5) AGENCY OF CEN-
TRAL BANKING INSTI-
TUTION.

or agencies. We have, in Chapter XIII, recommended the grant of agencies to indigenous bankers on certain terms. If such a scheme is brought into operation, other things being equal, we would give preference to approved co-operative banks.

Until recently Government used to refund to co-operative societies three-fourths of the commission on postal money orders when these were employed for remittances between societies. This was a valuable and a necessary concession, used chiefly for the benefit of village societies which could ill afford to pay the heavy money order charge for remittances of small amounts to their financing agencies. The charge of one per cent. at the time of giving a loan or on its repayment would either seriously affect the society's income, or would render necessary an increase in the rate of interest on loans to members. It was for this reason that the Royal Commission on Agriculture recommended the extension, to other provinces, of the concession which was given in some provinces, including ours. The concession has now been withdrawn in this Province, for reasons of which we are not aware. We recommend that, in the interests of the village primary societies, it should be restored at an early date.

236. Co-operative banks and local *shroffs* give mutual facilities for exchange business. When there is no bank nearby, co-operative societies deposit their surplus funds with such indigenous bankers with the previous approval of the Registrar. The relations between co-operative and other banks in this Province may be said to be friendly. There is no competition in lending business and the borrowing rates are more or less the same, except in the case of the Imperial Bank, which usually offers a lower rate in the districts. The classes of business and of customers of co-operative and other banks are different. There is, therefore, not much competition between them.

As regards the business relations between the Imperial Bank of India and co-operative banks, we find that there is room for improvement. We have referred, in the previous chapter, to the alleged competition between the two as regards remittance business. This business is valued by co-operative banks, not so much for the profit which it brings—for this is small—but because it enables them to develop deposit banking, open current accounts and allow operations on them by means of cheques. It further brings them into contact with the local indigenous bankers who generally appreciate the service rendered by co-operative banks in facilitating the transfer of funds on cheap terms. We would desire this point of view to be borne in mind, should the Imperial Bank of India be inclined to treat co-operative banks as rivals in this sphere of business. It was brought to our notice that the Provincial Bank, for the last twelve years, had a cash credit of Rs. 8 lakhs from the Imperial Bank, which was not being made much use of but which served as an ultimate fluid resource. This was curtailed some two years ago and has now been stopped altogether, on the ground that under the Provincial Bank's

debenture trust deed, the trustees have a floating charge on all the general assets of the Bank. The Royal Commission on Agriculture, however, held the view—and we agree with them—that a simple floating charge on the assets, enacted in favour of the debenture holders does not, in the absence of special conditions, prevent these assets from being pledged as cover for loans from, or overdrafts with the Imperial Bank of India. It is necessary for the progress of the co-operative movement that the Provincial Bank, as the apex bank of the whole movement, should have a substantial cash credit from the Imperial Bank and we, therefore, suggest that the authorities of the Imperial Bank should be requested to reconsider their objections in the light of our observations.

CHAPTER XII.

LEGISLATION AND LEGAL PROCEDURE.

237. It was once said by a Judge in England that the Chancery mends no man's bargains. The truth of the statement is clearly illustrated in the working of the Dekkhan Agriculturists' Relief Act under which although Courts are empowered to go behind written agreements they find it difficult to mend them to the satisfaction of both the parties and to modify it in the light of such evidence as may be adduced before them. The Act was passed in 1879 as a result of the agrarian riots in the Deccan, in which several village money-lenders were assaulted and forced to surrender to the rioters the bonds and other securities held by them. The principal cause of the riots was the burden of indebtedness and the oppressive and harsh methods adopted by creditors in the execution of decrees. The object of the Act, as stated in the preamble, was to relieve the agricultural classes in certain parts of the Deccan from indebtedness. It also aimed at preventing the transfer of land from the cultivating to the money-lending classes and to place the relations between the two on a better footing.

The Act lays down that in suits against agriculturists, the Court should investigate the entire history of the transactions between the parties and make out an account of money actually due. The Court can reduce the interest which appears to it unreasonable and grant instalments for repayment of the amount due. The debtor's land, unless it has been specifically pledged as security, cannot be sold, nor can he be arrested in execution of the Court's decree. Every written obligation for the payment of money is to be registered before village registrars and arrangements are made for the settling of disputes by conciliators as far as possible. There are provisions in the Act under which an agriculturist owing more than Rs. 50 can be declared an insolvent. Creditors are required to pass receipts for all payments made by an agriculturist, and to give, on demand, a statement of account every year. Since the year 1907 when the Act was amended, the Courts have the power to go behind the bond and determine the real nature of the transactions, irrespective of the provisions of the Indian Evidence Act. The Act thus attempts to safeguard the position of the agriculturist against frauds by money-lenders. It was first made applicable only to the four districts of the Deccan, but many of its sections, except the provisions for insolvency, have now been extended to the whole of the Province.

The principles and working of the Act have been several times inquired into by commissions and committees. The Famine Commission of 1901 held that the Act had done little good. The Arthur Commission of 1912 went further and found that it had made both the creditor and the debtor dishonest and had engendered distrust on both the sides. It observed : " The honest *sowcar* and the honest cultivator suffer alike, since in their dealings with one another they have to allow for the judgment of a court which will presume dishonesty on both sides."

238. The evidence before us was almost unanimous in holding that the provisions of the Act were being evaded, that the agriculturist had lost his credit, and that the honest money-lenders were forced to withdraw from doing money-lending business in rural areas. When the Act was first passed, the money-lenders were taken unawares. In their transactions with the agriculturists they had not bargained for the extraordinary provisions of the Act, and for the time being, they suffered loss which fell more heavily on those whose dealings were generally equitable and fair. Seeing that the working of the Act put a premium on dishonesty, the less scrupulous amongst them found means to circumvent its provisions. As the Court went into the past history of each transaction and often reduced the amount and the interest mentioned in the bond and allowed instalments for repayment, they took from the debtors bonds for much higher amounts than were actually advanced. They refused to give loans merely on personal security, and as the usual practice of the court was to grant instalments in suits and the money could not be realised by foreclosure, they began to insist on the debtor passing a sale deed, the oral agreement being that the land was to be returned when the debt was repaid.

Some of the provisions of the Act have remained inoperative. No agriculturist has taken advantage of the insolvency provisions, and the sections requiring creditors to give receipts and extracts of accounts have been disregarded by them. The money-lender does not usually give such receipts or extracts, nor is a demand generally made for them by the agriculturist. It is useless to expect the agriculturist to complain against a man on whose goodwill he has to depend.

A glaring drawback in the Act is the definition of the term "agriculturist". Under the definition as it stands at present, many persons for whom the Act could not have been intended are taking advantage of the protection afforded by it. Thus, wealthy landlords, money-lenders, traders and professional men who derive more income from agriculture than from other business have been claiming protection and privileges as agriculturists.

The result of all these provisions is a considerable diminution in the credit of the agriculturist and a general feeling of uncertainty which prevails amongst all classes. For example, it is at present risky to purchase land from an agriculturist even in good faith, for he may at any time plead that the transaction was really a mortgage, and claim the redemption of the mortgage any time within sixty years from the date of the transaction.

239. That the Act has produced evil effects almost everywhere is admitted by most if not by all, but there is a great difference of opinion as to how it should be dealt with to counteract them. Some suggest the entire repeal of the Act without any fresh enactment to take its place; some its retention with modification, while others hold that the Act should be repealed, and a new law, containing such of the provisions of

the present Act as have been found useful, should be enacted, and that, at the same time, the Usurious Loans Act should be more widely used.

This divergence of views is noticeable not only amongst those who gave evidence before us, but also amongst others whom we consulted on the subject. We had the benefit of receiving the opinions of the Honourable Judges of the High Court, as also of the Judicial Commissioner in Sind. The High Court also kindly obtained for us the opinions of the District Judges in the Province. Their Lordships, with one exception, are of opinion that the best course would be to repeal the Dekkhan Agriculturists' Relief Act immediately as to certain provisions, and after three years, in regard to the remaining. The Judicial Commissioner in Sind is also in favour of the repeal of the Act. The dissenting Judge of the High Court, while agreeing that the present law should be repealed, thinks that the essential provisions of the present Act should be embodied in simpler language in another enactment and that this new law should be made uniformly applicable to the whole of the Presidency. The opinions of the District Judges also differ on this subject. Some are for entire repeal, but a majority would either retain the Act with certain modifications, or, if it is to be repealed, would like to have another Act to replace it, containing a few provisions to safeguard the interests of the agriculturists.

It can hardly be denied that the Dekkhan Agriculturists' Relief Act has failed in its avowed object, and that it has made the relations between the creditors and the debtors worse than they were before. The question now is whether the Act should be repealed altogether, as suggested by some, or retained with certain modifications as suggested by others. It must be remembered that, as a result of this Act, certain contractual relations have come into being between the creditors and the debtors, and transactions have been entered into under the belief that the Act would remain in operation. It would, therefore, be undesirable to repeal the Act unless another suitable enactment takes its place. We, therefore, recommend that the Act should be repealed and a new Act embodying the principles which we mention in the subsequent paragraphs should be passed.

It is true that the present Act was designed to meet conditions which have, in the course of the last two generations, been considerably modified and that the cultivators have become more intelligent but the fact remains that there is still a great deal of ignorance and illiteracy among the great mass of cultivators, and for them a certain amount of protection is still necessary. It has been said that the Usurious Loans Act can adequately replace the Dekkhan Agriculturists' Relief Act, but, as we point out below, it does not go far enough to give sufficient protection to the particular class in question. The Arthur Commission also came to the conclusion that "that there is so much that is inoperative and so much that requires remodelling that the best course is to repeal the Act and substitute therefor a short Act applicable to the whole Presidency which would embody such portions of the Act as experience has shown to be useful".

240. The new enactment should apply only to small and genuine agriculturists. We do not think that the bigger agriculturists need any more protection than the trader, the merchant, and other classes, inasmuch as they should normally be able to hold their own against the money-lenders. The definition of the term "agriculturist" will have, therefore, to be substantially modified. We do not attempt ourselves to suggest a new definition, but we recommend that the benefit of the Act should be confined to those who actually engage personally in agriculture and whose income is below a certain specified figure which should not be high. As complaints are often made that a person claims the status of an agriculturist not only at the time a suit against him is filed but also subsequently at the time of the execution of the decree, we think that the status of the person at the time of the loan transaction and not at the time of the suit or execution of the decree should be taken into consideration.

The investigation of past transactions must be rendered possible by requiring money-lenders to keep proper accounts. This would be possible if an Act for the regulation of money-lenders' accounts is passed, as we suggest below. Under the present system money-lenders are under no obligation to keep accounts and, in the absence of such accounts, Courts have often to depend on oral evidence and mere guess work regarding past transactions.

Provision should be made, as at present, for allowing instalments in repayment of the amount decreed. Creditors naturally object to the grant of instalments, but if this facility is removed, the agriculturist will be unable to pay his dues in one lump sum, and will either have to borrow from some other source at a high rate of interest, or lose his land. The real objection is not to the grant of instalments but to their number, which is sometimes large, and to the rate of interest allowed. If the number of instalments is reasonable and the rate allowed not below what is prevalent in the locality, the creditor will not suffer and the agriculturist will have the facility of repaying by instalment. Under the Civil Procedure Code, Order XX, Rule 11, Courts have, even now, the power to grant instalments in money suits. It is necessary, however, that this provision should be extended to mortgage and other suits as well.

The agriculturist is now, under Section 21 of the Act, exempt from being arrested for debt. The objection to the arrest is mainly sentimental, but we think that so long as there are other methods of recovery, the exemption should continue.

As regards the appointment of village *munsiffs* and conciliators, we understand the question of the grant of judicial power to village *panchayats* is under the consideration of Government. If such powers are given to *panchayats*, the work of deciding suits under Chapter V of the present Act may be entrusted to these bodies.

These are the main provisions we would like to see embodied in the new enactment. Some people are of opinion that it should also contain some such provision as is contained in section 10-A of the Act which

allows the Court to determine the real nature of a transaction and to admit evidence of any real agreement for the purpose. We do not concur in this view, because it has been stated before us that its provisions have encouraged the giving of false oral testimony and made it difficult for the judges to come to a right decision. In any case it seems necessary to restrict the time within which the validity of a sale can be challenged.

241. Under this Act, when the Court finds that in a suit the interest THE USURIOUS is excessive, or the transaction as between the parties LOANS ACT. is substantially unfair, it can reopen the old transaction, inquire into the equity of the terms and reduce the rate of interest if excessive, and set aside, either wholly or in part, any agreement made in respect of any loan. The amendment to the Act in 1926 enables the debtor to take the initiative and ask for redemption of any security given in respect of any loan.

One important feature of this Act, which distinguishes it from the Dekkhan Agriculturists' Relief Act, is that it is applicable to all persons, whether agriculturists or non-agriculturists. We, however, found that except in a few urban areas, the Act was not being availed of in the Province. One reason for this is the comparative novelty of the Act, of the existence of which most people, including some pleaders, are still unaware. The main reason, however, for the failure to utilise this Act lies in the fact that better relief can be obtained by the agriculturist under the Dekkhan Agriculturists' Relief Act.

As mentioned above, there are some people who hold that the Usurious Loans Act gives sufficient protection to all including the agriculturists, and that therefore, the Dekkhan Agriculturists' Relief Act can now be repealed. There are, however, two provisions of the Usurious Loans Act that may militate against the Act giving the necessary protection. The first is that under section 3 two conditions have to be fulfilled before the provisions of the Act can be applied, *viz.*, (1) that the interest must be excessive and (2) that the transaction must on the face of it be substantially unfair. The Court can scrutinise the transaction and relieve the debtors of excessive interest only in cases where it has reason to believe that the interest is excessive. It does not apply to cases where there is practical failure of consideration. A creditor can, besides, easily find means to evade the provisions of the Act by fixing a nominally low rate of interest, *e.g.*, by mentioning in the document a larger amount than what is actually paid and reducing the rate of interest thereon so as to show that a reasonably low rate is charged. The Court will then find itself powerless to grant any relief unless the agriculturist is able to show that owing to the non-payment of the full consideration, the rate of interest works out very much higher.

The other provision that comes in the way of a Court examining the dealings from the very commencement is that under the Usurious Loans Act no transaction can be reopened if it has stood for more than twelve years. Cases may arise, *e.g.*, where a previous mortgage bond was executed more than twelve years before the mortgage bond sued on, and injustice to the agriculturist may result from this restriction. Thus

while the Usurious Loans Act is very useful and should be utilised more than is being done at present, it has its limitations and cannot, as suggested by some, entirely replace the Dekkhan Agriculturists' Relief Act.

242. One of the important questions raised before us was as to the desirability of licensing money-lenders. **MONEY-LENDERS' ACT.** In several countries, Acts have been passed for controlling the operations of money-lenders by requiring them to get licensed, and compelling them to keep proper accounts and supply copies thereof to their clients.

The English Money-lenders' Act requires every money-lender to take out a license every year. No money-lender is allowed to carry on business without such a license, and if he does so, he is liable to a fine of £100, and a similar fine and imprisonment in addition for a second or a subsequent offence. The license is granted only on production of a certificate from a petty sessional Court which has to satisfy itself that the applicant is of good character and a fit and proper person to hold the certificate. If an offence is committed by a money-lender, the certificate can be suspended or cancelled. This also leads to the suspension or cancellation of the excise license. The money-lender is liable to punishment if he falsely states in any advertisement that he is carrying on banking business. He must not induce any person to approach him for loans. No money-lender's contract is enforceable unless it is signed personally by the borrower and a copy thereof is delivered to him within seven days from the making of the contract. Payments of compound interest or an increase in the rate of interest on account of default in repayment are illegal. The money-lender is bound to supply to the borrower, on payment of one shilling, a statement signed by him or his agent, giving particulars about the date on which the loan was made, the amount of the principal, the rate of interest, the amount repaid and the amount outstanding. He must supply, on payment of reasonable fees, copies of the documents referring to loans. If the copies are not supplied, the money-lender is precluded from suing for the recovery of any sum due under the contract during the time such default continues.

It is also laid down that suits for the recovery of money lent by the money-lender must be brought before a Court not inferior to a County Court. The Act empowers the Court to reopen the money-lender's transactions when it thinks that the charge for interest and expenses are excessive and the transaction is harsh and unconscionable. If the rate of interest charged exceeds 48 per cent. per annum, the Court is bound, unless the contrary is proved, to presume that the charge is excessive and the transaction is harsh and unconscionable; but the Court may come to the same conclusion even in cases where the rate is lower. In such cases, it can relieve the borrower from payment of any sum in excess of what it adjudges to be fairly due and if the excess has been paid, it can order it to be repaid to the borrower. The Act also provides that when the money-lender or his agent fraudulently induces any person to borrow money and to agree to the terms on which

it is borrowed, he is liable to imprisonment for a term not exceeding two years or a fine.

It will thus be seen that, under the English Act, not only is the rate of interest controlled, but the money-lender is compelled to keep proper accounts and give extracts therefrom to the borrower. The latter question we discuss below. The main question that we have to consider here is about the feasibility of licensing money-lenders. In regard to this subject, the witnesses who appeared before us were divided in opinion. There were some who held that if the money-lenders were licensed they would be better controlled and that some of the hardships which the borrowers have at present to suffer, would then disappear. Others including some persons who were, on the whole, not favourably inclined towards money-lenders, thought that even if licensing were desirable, it would not be practicable. In this country, we have to deal with an illiterate class of borrowers who cannot afford to lose the goodwill of the creditors on whom they are dependent. In one sense, the weaker the borrower, the greater the protection he needs, but it is little use passing legislation which on account of the strong position of the money-lender can be easily evaded. As the experience of the working of the Dekkhan Agriculturists' Relief Act shows, the more restraints are placed on the money-lender, the worse becomes the position of the borrower. It would also be difficult to make provision for the inclusion of a large class of people who, though not money-lenders themselves, lend their surplus money occasionally to others. We, therefore, do not support the proposal for licensing money-lenders and we think that the present state of things can be considerably improved if the proposals that we make below for the regulation of the money-lenders' accounts are accepted.

243. Under sections 64 to 67 of the Dekkhan Agriculturists' Relief Act, REGULATION OF AN AGRICULTURIST IS ENTITLED TO GET WRITTEN RECEIPTS FOR ACCOUNTS ACT. all payments made to the creditor and, on demand, to receive from him an annual statement of accounts and to have his account made up from time to time in a passbook. Owing to the ignorance of the agriculturist these provisions have remained practically inoperative and it is the failure of these provisions that has made it extremely difficult for the Courts to find out the real nature of the transactions entered into. It would be futile empowering the Courts to inquire into the history of such transactions if there is no reliable evidence to trace it. The main reason for the failure of sections 65 and 66 of the Dekkhan Agriculturists' Relief Act is that they come into operation only at the instance of the agriculturist who is usually in too weak a position to enforce that demand against the creditor. It is absolutely necessary, if the relations of the money-lender and the debtor are to be put on a better footing, that the money-lender should be obliged to keep an account of his transactions with each debtor and furnish the latter with a copy thereof. We, therefore, suggest that legislation should be undertaken on the lines of the Punjab Regulation of Accounts Act of 1930. Under this Act a creditor is compelled to keep regular accounts of all transactions with each debtor and to furnish him, every six months, with a statement signed

by him or his agent showing the balance outstanding against such debtor, and all transactions relating to the loans entered during the six months to which the statement relates. The local Government are empowered to frame rules prescribing the forms in which the accounts are to be kept and the manner in which the extract of his account is to be furnished to the debtor. If no accounts are kept, the Courts can, in any suit, disallow either wholly or in part, the interest found due and also the costs of the suit. If no copy of the account is supplied to the debtor, the amount of interest upon the loan for the period for which the creditor omitted to furnish the account has to be disallowed. In view of the experience of the working of the Dekkhan Agriculturists' Relief Act, we suggest that the rules to be made under the proposed Act should be so framed as to leave little ground for any disputes regarding the non-receipt of the extract of accounts or for the production of any false evidence on this score.

We recommend that legislation on these lines should be undertaken without delay. The Act will secure the position of honest parties on both the sides and will facilitate the work of the Courts in examining the history of the transactions and will greatly reduce the amount of false evidence produced in Court. We also suggest that provision should be made for the issue of a pass-book in a prescribed form to the debtor and for its regular maintenance. Although the system has not in the past proved a success, it has an educative value which will have its beneficial effect on the cultivating classes. We, therefore, attach considerable importance to the regular maintenance of pass-books. As education in business grows, we have no doubt that the debtor will appreciate his own responsibility for protecting his financial interests.

An objection may possibly be raised to these proposals. As we mention in another chapter, in some parts of the Province agriculturists who do not resort to moneylending as a profession often advance loans to other agriculturists and it may be difficult for them to keep accounts and supply copies to their debtors. This difficulty may be overcome by restricting, as the Punjab Act does, the term "creditor" to persons who advance loans in the regular course of business.

244. The two Insolvency Acts now in force are the Presidency-Towns THE INSOLVENCY Act, 1909, and the Provincial Insolvency Act, 1920. We received reports that the provisions of these Acts were being abused in certain urban areas and that consequently financing agencies have to be very careful in advancing loans. The main objection to these Acts seems to be not against the provisions of the Acts themselves but against the way in which these are availed of and administered. Dishonest people, it is said, are sometimes allowed to take advantage of these provisions even when they have property, which they transfer to other people's names. The evil is confined for the present mainly to Bombay and other commercial centres. It is not so great in the Karnatak, but is spreading now in some of the urban areas in Sind. The social stigma attaching to insolvency proceedings in former years does not now exist and the debtors in some of the urban areas rush to the Court to get out of debt.

The following figures, which were supplied to us by a district judge, show the amounts involved in insolvency cases in the district and the amounts of the insolvents' assets :—

Year	Total No. of Insolvency applications			Amount involved			Amount of Insolvents' assets		
	Rs.			Rs. a. p.			Rs. a. p.		
1924	18	69,662	6 7	1,845	12 0	
1925	22	2,25,083	10 3	31,029	13 10	
1926	17	6,52,178	7 0	1,78,949	15 0	
1927	38	3,12,168	0 2	2,21,382	2 0	
1928	26	1,51,845	8 6	73,373	13 0	

One of the complaints about the administration of the Insolvency Act is that considerable delay takes place in the disposal of cases and in the recovery and distribution of assets and that the procedure causes great inconvenience and loss to the creditors. In our opinion steps ought to be taken to revise and simplify the procedure so as to assure expeditious disposal of claims and disputes regarding the insolvents' property and to insure quick collection of his assets and distribution thereof to his creditors. Only in three out of the 121 cases mentioned in the foregoing statement were the insolvents prosecuted for fraud. The punishments inflicted were so slight that they could not possibly have acted as a deterrent to others. We find that the evil is spreading and has created a feeling of uncertainty amongst the financing agencies. Hence some effective measures to check dishonest recourse to the Insolvency Act are necessary.

As regards the rural areas, special provisions for insolvency were made in the Dekkhan Agriculturists' Relief Act, and these were made applicable only to the four districts of the Deccan. These provisions have, however, remained a dead letter. It appears that the ordinary cultivator has no desire to repudiate liability for debts, which he does not deny to be due. For sentimental reasons, he is generally most unwilling to be declared insolvent, even in cases where the debts are ancestral for which he may not really be liable. Many of the cultivators also, who could otherwise take advantage of these provisions, are already so involved, having either sold or mortgaged all their property, that they have practically nothing to gain under the procedure provided in the Act.

The Royal Commission on Agriculture has recommended the enactment of a simple Rural Insolvency Act in order to relieve the agricultural debtor of what he cannot pay while insisting on his paying the utmost he can within a reasonable time. There is no incentive for him to work when there is a continuous burden of a heavy decree hanging on his head, but care should be taken to see that no room is left open for fraud and that whatever is legally due and can be paid by him is recovered. The Provincial Insolvency Act is not of much benefit to the ordinary agriculturist as its provisions cannot be utilised except in cases of indebtedness amounting to Rs. 500 or over. We suggest that a simple

Rural Insolvency Act as proposed by the Royal Commission may be enacted at an early date.

245. The Record of Rights in this Province is maintained under the THE RECORD OF provisions of the Land Revenue Code. It has now RIGHTS. been introduced into practically all the villages and gives information about the holder and his rights in the land and the encumbrances thereon. The Record is now fairly accurate, but from the evidence before us it seems that, especially in Sind, better supervision and control are needed to see that the entries are properly and speedily made. It is also necessary to see that all rights and encumbrances are correctly entered in the Record. It would be desirable, for instance, to make it obligatory for a civil court or the litigants, to get registered in the record any burdens on land that might be created in consent decrees by the act of the parties concerned. At present a decree creating a charge on an immoveable property need not be registered under section 19 of the Registration Act. If such a charge is not shown in the Record of Rights, the persons dealing with the agriculturists are not likely to know about it.

It has been suggested to us that the Record of Rights may be made a record of title as it is in Germany. We have been told that in that country it is possible for a landholder to get a certificate of absolute title and valuation of the property. The register in which these entries are made is called the "*Grund Buch*". The landholder can apply for such a certificate to the proper authorities who invite objections and after an inquiry issue a certificate of title. The "*Grund Buch*" thus constitutes a complete and up-to-date register of title and of the value of the property. No one can deal with such property without such a certificate of title and the borrower is thus powerless to commit any fraud.

While such a certificate would be very useful for raising money, we are of opinion that the introduction of the system is not a practical proposition in this Province. The Record of Rights is a record of possession. It is not a record of title. In order that the certificate might be really useful as a record of title, not only must the entry be quite correct, but the occupant as entered in the register must also be the exclusive owner of the land. This, in the present circumstances, especially with the existing laws of inheritance which are complex, it is not possible to secure in this Province.

246. Several witnesses stated before us that it took a long time before civil suits were disposed of and that even when they were decided, much time elapsed before the decrees were executed. Such a procedure is bound to have an adverse effect on credit facilities, especially on the rate of interest charged. The creditor naturally takes into consideration, when fixing the rate of interest, the delay, expense and trouble he will be put to in going to Court and getting the decree executed. This, however, is purely an administrative matter. We only wish to draw the attention of Government to the subject in order that they may take such steps as may be necessary to expedite the disposal of suits and the execution of decrees.

DELAY IN THE DIS-
POSAL OF CASES AND
THE EXECUTION OF
DECREES.

247. Difficulties arise on account of the Dehkan Agriculturists' Relief

LEGAL DIFFICULTIES IN REALISATION OF THE JUST CLAIMS OF MONEY-LENDERS.

Act and owing to the delay in the disposal of cases and execution of decrees. These two questions we have already dealt with above. The money-lenders who appeared before us suggested that they might be allowed to refer their claims against debtors to arbitration, instead of taking them to Court. In our opinion the best way to obviate the delay and expense to the parties concerned would be to adopt a procedure whereby suits in which the amount in dispute does not exceed Rs. 200 would necessarily be referred to a Board of three arbitrators, one of whom would be selected by each party and the third would be selected by the two arbitrators out of a panel fixed by the Court. In case the two arbitrators do not agree as regards the selection of the third arbitrator, the latter should be appointed by the Court. The decision of this Board should be final and the award should be filed in Court for execution.

248. Equitable mortgages are effected under section 58 (f) of the Transfer of Property Act by mere delivery of the documents of title of immoveable property to the creditor. The section runs as follows :—

“ 58 (f). Where a person in any of the following towns, namely, the towns of Calcutta, Madras, Bombay, Karachi, Rangoon, Moulmein, Bassein and Akyab and in any other town which the Governor-General-in-Council may, by notification in the *Gazette of India*, specify in this behalf, delivers to a creditor or his agent documents of title to immoveable property, with intent to create a security thereon, the transaction is called a mortgage by deposit of title deeds.”

It will be seen that the operation of the section in this Province is restricted only to Bombay and Karachi. It is very convenient, especially to the commercial class in these towns, to be able to effect a mortgage merely by delivering title deeds to the bank or to any other creditor. It saves them a considerable amount of time, trouble and expense, as it is unnecessary for them to get such mortgages registered in the ordinary way. Several witnesses from other commercial centres suggested that the operation of the section might be extended to their towns also. It would, however, be dangerous to extend indiscriminately the application of this section to places where people are illiterate and backward. A deposit of title deeds, if sufficient for effecting a mortgage, is likely to lead to abuse. There would, however, be no objection to making the section operative in a few other important commercial centres where people are more advanced, for instance, in Ahmedabad. We suggest that the power of specifying the towns in which the section is to be operated may be delegated to the local Government who, after inquiry, may issue the necessary notification extending the provisions of the section to such towns.

249. This Act was enacted to relieve landholders, paying more than Rs. 300 as assessment, who were heavily indebted and whose lands were likely to pass into the hands of money-lenders. Under the Act the estates of

SIND ENCUMBERED ESTATES ACT.

such landholders can be taken up, under the orders of the Commissioner, for management by the Manager, Encumbered Estates, an officer specially appointed to look after such properties. The Manager is empowered to make an enquiry, ascertain the claims of the various creditors, fix the amounts payable to them and the instalments in which such amounts are to be paid. The order of preference in case of various classes of creditors is also fixed. The main objection to this Act is that it reduces the credit of the landholder and people are afraid of lending money to them as the estate may at any time be taken over for management under the Act and the interests of the creditors might suffer. On the other hand, it may be argued that, but for the provisions of this Act, lands belonging to many of these landholders would have gone into the hands of money-lenders; that it was, by an economical management of the estates that the debts were repaid over a series of years and the lands restored to the original holders, free from encumbrances, at the end of the period. It has been represented to us that some *zemindars* after having borrowed from money-lenders had their estates taken over for management under the Act, knowing that such a procedure will put the money-lenders to loss. This, we understand, has made the money-lenders nervous about making advances to *zemindars* and as a result they have been insisting upon sale deeds being passed to them instead of mortgage deeds. The main complaint is that when an estate is taken under management, the creditor has to wait for many years, and in the meantime gets no interest on his outstandings. We suggest, that when an estate is taken over by the Manager, if the debts cannot be repaid from the income within a period of five years, a part of the estate may be sold to repay the amount and a reasonable rate of interest paid on the outstanding balance in the meanwhile. Unless some such procedure is adopted, it is feared that the bigger *zemindars* will find it difficult to raise money except at a very high rate of interest. It is also necessary in the interest of such *zemindars* as are now taking to trade that the protection of the Act should be given only to those amongst them who depend entirely on the income from land and not to people who combine *zemindari* with trade. If this is not done, the *zemindar*-traders who have to borrow on the security of their landed property will find it difficult to raise money.

250. We have described in Chapter II some tenures in which the title of the holder or tenant is restricted and he has no power to alienate the land. The credit of such persons is naturally affected by this fact and in consequence they find it difficult to raise money for agricultural and other purposes, except at heavy rates of interest.

In the case of *talukdars* no land can be alienated without the consent of the Talukdari Settlement Officer. This consent, we understand, is now, except for special reasons, freely given. The question of the tenants of *talukdars* is, however, different. These tenants are generally tenants-at-will. Whatever money they require for cultivation they can get either from the *talukdars* or from the money-lenders, but, except in cases where they have large landed estates, the *talukdars* are usually themselves in

need of finance and cannot make any advances to their tenants. As the tenants have no lands of their own, even the money-lender is unwilling to finance them. The only alternative appears to be to secure finance for these cultivators either from the money-lender or through co-operative societies, on the security of the *talukdar* himself.

Other tenures affecting the credit of the agriculturists in Gujerat are the *bhagdari* and *narvadari* tenures in Broach and Kaira. In the case of these tenures the alienation of an unrecognised *bhag* or *narva* without the consent of the other sharers, who are often numerous, is null and void. These Acts are a constant source of litigation and do not seem to confer any corresponding benefit upon the agriculturists. The chances of other sharers in the *bhag* or *narva* getting possession of any land through lapse are remote. It has been suggested that these tenures should be abolished altogether. The objection to the proposal is mainly sentimental. If these tenures are not altogether abolished, it seems desirable in the interest of the holders, that they should be allowed to mortgage their lands at least to co-operative societies, as is at present allowed, with the consent of the Collector, in the case of land held on the restricted tenure. Unless some such concession is given it would be difficult for these landholders to get advances either from co-operative credit societies or from land mortgage banks.

In the case of *khoti* villages there is no difficulty as regards *dharekaris* who are in the same position as survey occupants in Government villages. Occupancy tenants and tenants-at-will, however, have no right to alienate their land. The occupancy tenants can do so only with the consent of the *khots*. As their lands are unalienable, these tenants are often dependent upon their *khots* for finance. The only measures that can be introduced are those suggested above for the tenants of *talukdars*.

With regard to *inam* lands, personal *inams* are alienable, but restrictions are placed in the case of other *inams*. Watan lands are generally not alienable except during the life-time of the holder. As these *inam* lands cannot be alienated without the consent of Government, it is desirable that Government should either undertake to finance the holders by means of *tagari* or allow the lands to be mortgaged to co-operative societies.

CHAPTER XIII.

INDIGENOUS BANKS AND BANKERS.

251. "Banking is my brains and other people's money". Though

not scientific, this definition brings out the basic idea of "banking", which has hitherto defied all attempts at a comprehensive definition. Acceptance of deposits being an essential feature of modern banking, the definition may perhaps include all bankers in some countries, but several financiers, who are generally known in India as indigenous bankers would find no place in such a definition. Some of them do not receive deposits but rely on their own capital and credit for their business. For the purposes of this inquiry, therefore, a sharp distinction has been drawn by the Central Banking Enquiry Committee between the two classes of bankers and by the term "indigenous banking" is meant all banks and bankers other than the Imperial Bank of India, the exchange banks, joint stock banks and co-operative banks. It includes any individual or private firm receiving deposits and dealing in *hundis* or lending money. Those who do not receive deposits will fall under the category of "Other Indigenous Credit Agencies", which will be treated separately in the next chapter. We cannot, however, dissociate from indigenous bankers the Multani *shroffs* who do not deal in deposits but who have for all practical purposes been regarded as bankers. The term *shroff* is used in this and other chapters as a synonym for "indigenous banker" as distinguished from a *sowcar* or money-lender.

252. The origin of indigenous banking in India dates back to the

remote period when traffic by sea and land was opened between India and the neighbouring countries and when the commercial genius of the people expressed itself in the development not only of internal and external trade but also in indigenous shipping and banking. The ancient Hindu theory of government made economics the foundation on which depended the safety of the fabric of administration and the welfare of the people. Three centuries before the Christian era Kautilya, the famous Indian exponent of the art of government, laid down in his *Artha-Sāstra* that "agriculture, cattle culture and commerce and trade comprised the science of national economy." So also the *Māhābhārata* taught: "By economics the whole (body-politic) is held."

In Vedic times, society was advanced sufficiently to admit of an elaborate division of labour and differentiation of functions among the people and the formation of commercial bodies and craft guilds. The merchant-guilds soon attained a position of transcending social as well as civic and political importance. The self-governing habits of the people which led to the formation of various organisations for local autonomy also asserted themselves in the domain of commerce and finance. Recent archæological discoveries have brought to light various seals on which are found legends showing the existence of associations of bankers in ancient times. For instance, during the excavations at

Basārḥ, identified with Vaisali, several seals were found bearing inscriptions referring to the corporation or guild (*nigama*) of bankers (*sresthin*), traders (*sārttharāha*) and merchants (*kulika*). "It looks," observes Dr. Bloch, "as if during those days something like a modern Chamber of Commerce existed in Upper India at some big traditional centres, perhaps at Pataliputra*." Several specimens of a seal of a guild of bankers bearing the legend *sresthi nigamasya* were also discovered by Dr. Spooner who thereupon remarks:—"Banking was evidently as prominent in Vaisali as we should have expected it to be, judging from the notice in Manu to the effect that the people in Magadha were bards and traders."

These guilds served as bankers to the community, receiving permanent deposits and holding them as trust properties.† They were originally religious benefactions, but in course of time they appear to have opened up the field of deposit banking and the guilds, in turn, serving as banks, stimulated deposits for charitable purposes.

What the prevailing rate of interest was in Vedic and pre-Vedic times modern research has not yet revealed, but it appears that interest was charged and paid mostly in kind. Coming to the Sutra period (assigned to a period not earlier than the seventh, nor later than the second century B. C.), Dr. Jain points out that the legal rate of interest for this period is set at 15 per cent. per annum, but that according to Vasistha "two, three, four, five in the hundred is declared to be the monthly interest according to caste."‡ This however, appears to have been the maximum limit. The epigraphic evidence shows that in practice much lower rates were charged. Usury was held in contempt, so also insolvency.

Coming to the early Christian era, we find that deposit banking was in vogue at that period. Manu devotes two chapters to "Deposits and Pledges" and the "Recovery of Debt". The indigenous banker was the trusted custodian of the deposits of people and royalty alike and he financed not only the trade of the country but also the requirements of the royal treasury. His bills were honoured throughout the land and the title of *Sheth*, by which he was called, marked his ascendancy in the social scale. Political upheavals, wars and changes in dynasties did not affect indigenous bankers. The Moghul Emperors, the Nawabs of Oudh and the Peshwas and their generals, all sought their assistance. The multiplicity of sovereign and semi-sovereign powers in the land gave them their principal occupation as *shroffs* and money-changers till the days of the East India Company. Money-changing was an important part of the business of the *shroff* and was profitably carried out until the 18th century, as we found from certain old papers of *shroffs* we examined in Karachi. Later, administrative requirements necessitated the establishment of Government treasuries and the control of the mint was taken over by the State. The unification of the currency of the country and the substitution of a single sovereign power in place of a number of

* *Archæological Survey, Annual Report, 1903-04.*

† *Local Government in Ancient India*, by Radhakumud Mukerji.

‡ *Indigenous Banking in India.*

petty principalities practically did away with the most profitable money-changing business of the *shroffs*. In Bengal their business was further affected by the advent of the joint stock banks towards the end of the eighteenth century. In Bombay, however, no joint stock bank opened its doors till the year 1840. The indigenous banker, therefore, continued to enjoy the monopoly of banking in Bombay till that time and his business was not seriously affected by the modern banks until the middle of the last century.

Despite the establishment of the joint stock banks, however, a good deal of banking business remained and has still remained in the hands of indigenous bankers in all parts of the country. The operations of these banks were confined to giving facilities for deposits and remittance to Europeans and to the financing of the foreign trade, so that throughout the country the indigenous bankers filled the gap left uncovered by these banks and financed the agriculture and the internal trade of the country. Especially in rural areas their help was as indispensable as before. Under the altered conditions, however, the *shroffs* acted as middlemen between the Presidency banks and the joint stock banks and the trading community. They bought and sold *hundis* and had them rediscounted at the big banks, whenever necessary, thus performing functions analogous to those of the bill brokers of the London money market. Since those days they have served as a connecting link between the trading community and the banks which have freely availed themselves of their local knowledge and utilized their services in handling the internal bills of exchange.

253. As it exists, the system of indigenous banking is an institution

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in itself, with its fine traditions concerning the respectability, resourcefulness and integrity of the indigenous banker, his hereditary relations and close personal contact with his clientele and simple and popular methods of work. As a credit agency that has stood the test of centuries, notwithstanding political convulsions, revolutions and changes in dynasties, it occupies a unique position in respect of the magnitude of its operations and their importance to society. Its development has naturally proceeded on the lines suited to the commercial and financial genius of the people, their local requirements, habits, customs and traditions. It is not, therefore, organized on the lines of the modern banking institutions of the country, which are modelled on the western system of banking. Nevertheless, there are many points of resemblance between the indigenous system and the modern system of banking.

There are diverse castes and classes of these bankers and in certain large centres they have their own associations and *bazars*. Within its own sphere each of these associations conducts its business on well-defined lines and is governed by its own regulations. Questions of common interest are considered at meetings of such associations where members' differences and disputes regarding business matters are also settled. Members of one association have dealings with those of another, but there is no organisation for interchange of intelligence concerning the credit position of constituents, enunciation and adoption of policy and

methods of work or for the regulation and promotion of *inter-shroff* business. In Bombay city alone there are different *bazars*, the Gujarati, the Marwari and the Multani, and the *hundi* rate differs from *bazar* to *bazar*. As the Multanis do extensive *hundi* business with the Imperial Bank, the Multani *bazar hundi* rate follows closely the bank rate, whether in busy season or in slack season. The other *bazars* do not depend upon advances from the banks for their business. Their *hundi* rates, therefore, do not necessarily correspond to the bank rate. *Inter-shroff* advances are generally made in these *bazars* at rates often lower than the bank rate.

Scattered all over the Province, there are a large number of indigenous bankers belonging to various communities. They have close business relations with one another, most of them having their firms or *adat* (business connections) with other *shroffs* all over the country. In a few important centres of the Province they have organised themselves into associations. The following are the principal associations of *shroffs* in the Province :—

- (1) The Bombay Shroffs' Association.
- (2) The Ahmedabad Shroffs' Association.
- (3) The Marwari Chamber of Commerce.
- (4) The Multani Shroffs' Association, Bombay.
- (5) The Shikarpuri Shroffs' Association.

The first two are composed mainly of the Gujaratis, the third of bankers and merchants from Marwar and Malwa and the fourth of Shikarpuri bankers known as Multanis. The spheres of operations of these associations are different. The activities of the Bombay Shroffs' Association are mainly confined to the Bombay Presidency ; those of the Marwari Chamber extend to the Central Provinces and Berar, while the business of the Multanis lies mainly in Bombay city, Madras, Rangoon and Shikarpur. It would be to the advantage of these associations to have a Federation of all the different organisations so as to secure uniformity of procedure and to promote objects of common interest. We discuss in the last paragraph of this chapter a scheme for the formation of such associations.

254. According to the Census of 1921 there were 26,303 "bank managers, money-lenders, exchange and insurance agents, money-changers and brokers and their employees in the Bombay Presidency," including 2,847 women. It is absolutely impossible to say how many of these are bankers. We tried to ascertain their number from the associations of *shroffs*, but even they have no reliable figures. If a guess may be hazarded, it may be assumed that among the 26,303 persons comprising the banking and financing fraternity there are about 20,000 indigenous bankers including money-lenders.

255. The indigenous banker performs all the principal functions associated with modern banking, except that he does not allow cheques to be drawn on customers' accounts. He receives call-money, short-term deposits, and fixed deposits, keeps current accounts as well as deposit

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EXTENT OF BUSINESS.

accounts, makes payments to the account holder personally and honours his written orders conveyed by letter. He gives advances, loans on security or on personal credit, either as overdrafts on current accounts, or as call money, or for short or long periods. He discounts and accepts *hundis* or bills for collection and gives *hundis* or drafts for purposes of private or trade remittance. Thus he carries on a very large amount of inland exchange business through a network of offices and agencies, being in many an outlying part of the Province the only agency for the transmission of funds. A remarkable feature of the indigenous banking system is the banker's close personal touch with the customer. He knows the history of the family of the borrower and the details concerning his business and financial position. This renders it easy for him to determine whom to accommodate and to what extent. Again, after giving a loan he is in a position to watch the borrower's transactions with a closeness denied to the modern organised banks. In one material respect, however, indigenous banking differs from modern banking. It does not draw any distinction between dealing in other people's money and dealing with other people's money so that many an indigenous banker combines trading with banking, therein exceeding the legitimate scope of modern banking. There are, accordingly, three classes of indigenous bankers :—

(1) Those who do no business other than banking.

(2) Those who are both bankers and traders or commission agents.

(3) Those who are principally merchants or traders, but who also employ their surplus funds in banking business.

By far the largest number of the indigenous bankers belong to the second class.

256. It is in the methods rather than the nature of business that indigenous banking stands in marked contrast with modern banking. The most distinguishing feature of the indigenous system is that its operations are not attended with the formalities and delays incidental to modern banking. The indigenous banker prefers to do business on his own. The principle of combination of resources on the joint stock basis does not appeal to him. The volume of business of each individual or firm being necessarily restricted, as compared with that of a modern bank, it lends itself easily to the *deshi* (Indian) orthodox but simple, economical, and, for all practical purposes, accurate and efficient system of accounts. Following the traditional system of accounting, the indigenous banker keeps only a few books, in most cases only a day-book and a ledger. No audit is required and no balance sheet has to be published; no elaborate staff is necessary, no attractive counter, no imposing edifice. Until recently there were no hard and fast regulations concerning hours of business. Payments were made at any time of the day and even after sunset till midnight. Recently, however, the hours of business in principal centres, such as Bombay, Ahmedabad and Karachi, have been restricted and payment is generally made till sunset only, but elsewhere, we find, the doors of the firms of indigenous bankers are open.

METHODS
OF
BUSINESS.

till midnight for making payments or advancing loans. It is with them a matter of prestige of the firm.

257. No reliable estimate of the working capital of the indigenous bankers in the Province can be given, neither is it possible to gauge the volume of business financed by them, but it is a fact universally recognised that although the share of the indigenous bankers in financing the foreign trade is negligible, amongst the agencies financing agriculture and the internal trade and small industries of the Province they occupy a predominant position. On a conservative estimate their share in this business may be computed at 70 to 80 per cent. of the total.

258. Owing to want of statistical information we are not in a position to judge whether the indigenous bankers carry sufficient cash in their tills to meet their demand obligations. Rarely, however, does one hear of failure on their part to make payments whenever demanded and the absence of formalities, their simple methods of work suited to the convenience of their customers, their sense of honour and readiness to meet any emergency and to maintain the prestige of their firm at any cost, would tend to show that they probably carry a large percentage of cash in hand.

The *shroffs* generally employ their own capital supplemented in several cases by deposits received, but at the height of the season they have to replenish their resources by borrowing. The borrowing is generally between *shroff* and *shroff*, except in Bombay and other big cities where busy season accommodation is obtained to a certain extent from the Imperial Bank and the joint stock banks. The banks advance money to them on demand promissory notes drawn by two approved *shroffs*, or discount *hundis* endorsed by them. The rate of interest which the *shroffs* allow their customers for deposits varies from 4 to 6 per cent. in the busy season; in the slack season it is reduced to 3 to 4 per cent. per annum. The loans advanced carry interest at the rate of 6 to 8 per cent.

259. Accommodation is given by the indigenous bankers to one another without security and to customers with or without security in one or more of the following ways :—

Lines and Terms of Advance.
Chalu Khata.—This corresponds to current, day to day account. The debit and credit items are entered as in an ordinary ledger account and the interest computed on the fluctuating balance at a rate of interest previously fixed. The account includes both deposits and advances and is generally used for inter-*shroff* transactions. When a *shroff* receives temporary accommodation from another, it is a *chalu khata* transaction and is in the nature of a clean overdraft or call money. If he deposits surplus funds, it also goes to the same *khata*. The deposits as well as loans are liable to be repaid on demand and the borrowing *shroff* has also the option to return the money whenever he desires. The *chalu khata* is also meant for keeping an account of such transactions with private customers.

Khata Peta.—This account is the same as *chalu khata* except that in the case of *chalu khata* the amount of the loan is payable immediately on demand, whereas in the case of *khata peta* the borrower would not lose credit if by consent he delayed payment for a little while.

Byaj Badla or Miyadi Khata.—Under this account money is borrowed or deposited by previous arrangement as regards the rate of interest and the period of the loan or deposit, the period varying from a fortnight to a year.

Hath Udhar.—A temporary loan given free of interest for a day or two without taking any promissory note or receipt in writing. This is confined only to inter-*shroff* transactions.

Promissory Note.—This form of loan is now very common with the indigenous bankers for the reason that it is cheap.

Receipts.—Sometimes, the borrower is asked to pass a receipt acknowledging payment in lieu of a promissory note.

Railway Receipts.—Short credit is given against railway receipts for goods endorsed in favour of the *shroff*.

Hundis.—Short-term finance is also given by discounting *hundis*. Formerly, the *hundi* formed the stock-in-trade of the indigenous banker, but as already explained the stamp duty has militated against the use of *mudati* or usance *hundis*.

Short-term Credit by Commission Agents.—Commission Agents also finance traders by giving them short credits as mentioned in Chapter VIII.

Long-term Loans.—Loans for periods, usually not exceeding one year, are also given, generally against the security of jewellery, bullion, cotton, grain, seeds, etc.

Mortgage of Property.—The *shroffs* do not generally advance money against mortgage of immoveable property, but occasionally long-term finance is provided against such security.

260. The rate of interest in respect of loans varies not only from time to time, but also from place to place and *bazar* to *bazar*.

Different witnesses have given us figures of rates of interest allowed on deposits or charged for loans, which show considerable divergence according to local conditions and resources of the different organisations, but the rates given below may be taken as a fair index of the position at the principal trading centres of the Province.

261. The rate of interest for call money is settled by the respective associations where they exist and at other places by mutual arrangement. The Bombay and Ahmedabad *shroff bazars* have ample resources of their own and among themselves they lend money at a comparatively low rate of interest. The rate of interest

CALL MONEY: CURRENT ACCOUNT, CLEAN OVERDRAFT OR CASH CREDIT.

for inter-*shroff* business in the Bombay *bazar* is generally $4\frac{1}{2}$ per cent. for the slack season and 6 per cent. for the busy season, whereas the rate prevailing in the Ahmedabad *bazar* for such transactions is not more than $4\frac{1}{2}$ per cent. at any time of the year. The Marwari Chamber of Commerce has supplied us with certain statistics concerning the official

rate of interest for current accounts, fixed by it from time to time. It appears from these figures that until the year 1919, the rate of interest was 5·81 per cent. per annum, that from 1920 to 1926 it was $7\frac{1}{2}$ per cent. per annum, that in the year 1927 it was reduced to $5\frac{1}{4}$ per cent., but that since July 1927 it has stood at $6\frac{3}{4}$ per cent. per annum. It is open, however, to the *shroffs* to increase or decrease the rate by mutual agreement, according to demand and supply, so that the rate usually varies between annas 4 to annas 11 per cent. per mensem. The *Byaj Badla* rate in the same market is slightly lower or higher than the *chalu khata* rate in sympathy with the fluctuations in the Bank rate.

The call money rate in the Multani *bazar* varies between 3 per cent. to 6 per cent. per annum according to the conditions of the money market. The interest charged for other loans usually varies between 6 and 12 per cent. per annum. In Chapter VIII we have indicated the different ways in which the *shroffs* finance internal trade. The rates usually charged for such credit facilities vary from 6 to 12 per cent. per annum.

It is a very interesting feature of the indigenous system that it has maintained the rates of interest at about the same level over very long periods. During the era of the ancient guilds of bankers the ordinary rates of interest varied between 5 per cent. and 15 per cent. per annum.* The prevailing rates to-day are nearly the same. Through the courtesy of its proprietors, we have had an opportunity of inspecting the account books for the year 1793 of the well-known firm of Messrs. Lakhmidas Madhavji of Karachi, whose head office was then in Porbunder. It appears from this book that the rate of interest charged on debit balances in current accounts was a fixed rate, viz., 0·7-9 per month, i.e., approximately $5\frac{1}{2}$ per cent. per annum, which we understand is the rate charged even to-day. The book shows incidentally that cash money then used to be imported in country crafts, mostly from Bombay to Karachi, and that the firm was a principal importer. The discount for cash money was 28 per cent. The firm carried on export and import business and used to deal in *hundis*, both *darshani* and *mudati*. There were considerable fluctuations in the rate of discount. Entries in one of the books show that on one occasion, within a fortnight, the discount rate for two months' *hundis* drawn on Bombay jumped from Re. 0-6-6 per cent. to Rs. 2-4-0 per cent.

262. Extensive as is the clientele of the *shroff*, he deals principally with his brother-*shroffs*, town and village money-lenders, and traders and artisans. But amongst the clientele he serves should also be included promoters of small as well as large industrial enterprises. The cottage industries and the small organized industries depend mostly on him for finance, while assistance rendered to the industries, such as textile mills, ginning and pressing factories, rice factories, flour mills, silk and cotton handloom industries and gold thread manufactures, is by no means inconsiderable. They hold in some places, such as Ahmedabad, debentures in industrial concerns, subscribe to their capital, or accept deposits of shares and advance

* *The Copper Plates of Uttamacholadeva in the Madras Museum—Indian Antiquary*, vol. liv., 1925. *Local Government in Ancient India*.

money against them. They also give long-term loans against the whole or portion of mill property or factory or goods. Sometimes they join the managing agencies of such concerns as financiers.

263. It is not possible for the indigenous banker to establish direct business relations with the ryot. Nevertheless, he takes the lead of all other banking agencies in financing agriculture through local *sowcars* or money-lenders with whom he has intimate business relations. These *sowcars* buy their finance cheap from the indigenous bankers, but sell it dear to the agriculturists. It is a weakness of the existing organisation, or lack of organisation, of banking in India that the principal industry of the country does not get for its sustenance the loanable capital available in the country at a reasonable rate of interest. The waters of the different streams flow in their own narrow channels, there is no reservoir to collect and distribute the supply so as to fertilize the field of agriculture, trade and industry of the country.

With the trader and the small industrialist the *shroff* has always maintained a close personal touch. He is, indeed, the principal prop of the internal trade of the country and his relations with the trading community are, as a rule, very friendly. He provides finance to it as cheaply as can be expected in a country where the bank rate is usually high. Unlike those of the ordinary money-lender, his principles and methods of business are marked by a sense of responsibility and probity. It is not, therefore, surprising that far from harbouring any prejudice against him, the commercial community and the public generally hold the *shroff* in esteem, which is reflected in the title of "*Sheth*" or "*Shah*" by which he is known.

264. In the preceding paragraphs emphasis has been laid on the fact that the financial assistance given by the indigenous banker to the internal trade of the Province is very considerable. Such assistance, cannot, however, be rendered by him without adequate credit facilities from banks. In the busy season the *shroffs* need accommodation from the banks to meet the additional demands of their constituents. We find that those whose names are on the approved lists of the banks get advances up to certain limits at the ruling rates of interest. The form most commonly in use in which the Imperial Bank as well as the joint stock banks finance the *shroffs* is, as already mentioned, the demand promissory note signed by two *shroffs* on the approved list of the bank, or by one *shroff* and one merchant. The bank also advances money against the *shroff's hundis* drawn by an approved merchant and endorsed by him or by another approved *shroff*, if he is not himself on the list of approved *shroffs*. The period for which such accommodation is granted is usually sixty days. It has been suggested to us by some witnesses that it would be a great convenience if the period were increased to 90 days. We approve of this suggestion.

In Bombay the *shroffs* who have dealings with the Imperial Bank are financed by the Bank by re-discounting *bazar* bills purchased by them and also by direct advances on personal or other security. At the

up-country branches, the advances to *shroffs*, as a rule, take the form of loans and cash credits. At a few places, such as Karachi and Sukkur, bills are also discounted and in some cases advances are made against produce. There has been a conflict of evidence concerning the adequacy of the finance thus provided to the indigenous bankers by the Imperial and other organised banks. While a few witnesses have expressed their view that the accommodation granted is considerable, a large number of them have complained that it is grossly inadequate. There seems to be a general impression that the indigenous agency does not receive all the support that it should from the Imperial Bank and the joint stock banks. These banks keep a confidential list of approved indigenous bankers whom they finance. Every *shroff* on the list of a bank is assigned a maximum limit of the amount which he can borrow from the bank. This limit is determined having regard to the *shroff's* standing and position for the time being. Beyond this limit the bank would not, ordinarily, allow credit facilities. The *shroffs* consider that, as indigenous bankers, they have a special claim on the resources of the Imperial Bank, whereas the limits of credit assigned to them by the Bank are very low. It has been represented to us that before the amalgamation of the Presidency Banks, those who had business connections in different Presidency circles used to get finance separately from each of the three Presidency Banks, that the total of the separate credits allowed to them was much in excess of the limit of the single credit now apportioned to them by the Imperial Bank and that the curtailment of the limit has affected their volume of business. This complaint needs examination.

So far as clean limits are concerned, it may be argued that the lending bank is the best judge to determine what the limit should be in each individual case. It appears to us, however, that it should be possible to give better accommodation to the *shroffs* than at present. This can be done in two ways :

- (1) by an extension of the rediscount business,
- (2) by advances against stocks.

As regards the business of rediscounting *hundis*, the Imperial Bank is obviously interested in developing it and should be willing to give all possible facilities to the *shroffs*. If the Multani *shroffs* get larger accommodation than the other *shroffs*, it is because they freely take their *hundis* to the bank for rediscounting. The other *shroffs*, on the contrary, show a reluctance to resort to the banks for rediscounting business partly because they find that the bank's rates of discount do not suit them and partly because they prefer to deal in the *bazar* rather than go to the banks and submit to various inquiries and formalities. The rate of interest in respect of inter-*shroff* transactions all over the Province is invariably lower than the Bank rate by one or two per cent. and the *shroffs* complain that their dealings with the banks are controlled by a bank rate which has no relation to and does not suit the economic conditions of the Province. It is a grievance of the local *shroffs* that before the amalgamation of the three Presidency Banks, the Bombay Presidency enjoyed, through the Presidency Bank, the advantage of lower rates of interest due to the commercial development of the Presidency and its developed banking

resources, whereas the Imperial Bank now puts up the rate of interest so as to secure uniformity with the rates prevailing in other commercially less advanced provinces. We find that owing principally to this reason, the *shroffs* in the Province, with the exception of those, who, like the Multanis, are in a position to invest money outside the Province, do not ordinarily resort to banks for financial accommodation. This is an aspect of the question to which we should like to invite the attention of the Central Committee. Considering that modern joint stock banking cannot, for many years to come, hope to reach small towns and villages owing to the expense involved, it is much to be wished that the Bombay *shroffs* come in closer contact with the Imperial Bank of India. There is considerable room for expansion in the Bank's business with *shroffs*. At any rate, so far as advances against the security of stocks are concerned, we think the *shroffs*, who do money-lending or commission agency business in the *mofussil*, should receive more extended facilities than are offered them or are availed of by them at present. It is important to realise, however, that the *shroffs* have a strong prejudice against pledging their stocks. Unless this prejudice is overcome, business must suffer, but it is a hopeful sign for the future that the Imperial Bank is alive to the importance of improving this class of business with the *shroffs* and has been endeavouring to induce them to get over the prejudice. It has been suggested to us that if *shroffs* of approved standing and financial position were given the same credit facilities as are extended to certain firms by the Imperial Bank of India on the hypothecation of their goods, it would result in increased business. We commend this suggestion for the consideration of the authorities of the Bank.

The main complaint against the Imperial Bank is that the management is alien and wooden. It is alleged that the agents at the *mofussil* branches being mostly non-Indian and often ignorant of the vernacular of the district and the local needs of the people, take little interest in the business of the *shroffs* and evince little sympathy. Whether that is true or not, the fact remains that the relations of the Imperial Bank with the *shroffs* both at the head office and the branches are not as intimate as they should be. No effort appears to have been made by the officers of the Bank to cultivate friendly relations with them. Perhaps this is not true of the Multani *shroffs* who do extensive business with the Bank and who appear to be receiving the lion's share of the financial accommodation provided by the Bank to the *shroffs*. It is further alleged that the local managers of up-country branches of the Bank have little discretion with regard to loans and are unable to make advances beyond small limits without reference to the Head Office. These managers, it is asserted, move about from branch to branch and fail to acquire that local knowledge and personal touch which are essential to a proper appreciation of the wants and credit position of the Bank's customers. In the course of examination of witnesses we were often told that under the notion that the officers of the Imperial Bank are indifferent to their needs and interests and would not give them proper treatment or assistance, the *shroffs*, with the exception of the Multanis, have not cared to approach the Bank for credit facilities. We recognise the Bank would

naturally be anxious to do as much business with the *shroffs* as is possible, yet the fact remains that most of them do not at present resort to the Bank except for facilities for remittances whenever and wherever possible. It is a serious drawback of the present state of banking in India that the two most powerful credit agencies whose co-operation would be of the greatest benefit to the development of trade and industry in this country thus remain apart. There is at present no correlation of the operations of the Bank and the *bazar*, so that the *bazar hundi* rate does not often correspond to the bank's rate for discounting *hundis*. So long as there is no system of co-operation between the indigenous bankers and the central banking institution and other banks, it would be difficult to develop an open market for discounts and the prospects of evolving a co-ordinated credit policy would be as remote as ever. It would probably be an advantage if the *shroffs* are represented in some way on the directorate of the Board of the Imperial Bank. With a view to bridging the gulf that now separates the branches of the Imperial Bank of India from the indigenous bankers we would suggest the appointment of local advisory committees at important centres where the Imperial Bank has its branches. The constitution of such committees should be such as to assure the *shroffs* that their applications for financial accommodation would receive due consideration.

The chief grievance of the indigenous bankers is that the Imperial Bank and even the Indian joint stock banks do not accord to them the recognition due to them as bankers who finance and control the bulk of the trade and industry of the country. They think they are entitled to the same facilities and concessions as are given to banks by the Imperial Bank for inter-bank business and remittance. They resent the manner in which inquiries are made in the *bazars* by the intelligence department of the Imperial Bank and the other banks concerning their credit position, and they see no reason why they should be asked to give joint signatures of sureties for accommodation given to them, when other banks are financed without any such humiliating limitations. There is no question that these traditional bankers have cause to be dissatisfied with the position in which they find themselves placed in the modern banking organisation of the country. From the bank's point of view, however, it may be urged that if the indigenous bankers are not treated with the same consideration that is due to them as bankers, it is because it is difficult to distinguish a genuine banker from a trader or a commission agent or a broker, and to ascertain definitely his financial position.

265. The question of recognition of the status of the indigenous banker and of the utilisation of his knowledge, experience and resources in the machinery of credit depends on what his position is at present and what it should be in future in the general banking system. Whatever prejudices may exist against the professional money-lender, who lies outside the category of indigenous bankers, every one is agreed as to the desirability of recognising, preserving and developing the indigenous system and adapting it to present-day conditions so as to make it a part of a national credit system.

SUGGESTION FOR
ADAPTING THE INDI-
GENOUS SYSTEM TO
PRESENT-DAY CONDI-
TIONS.

One of the suggestions made to us with that end in view is that the *shroffs* should be linked with the central banking institution of the country as its agents. The scheme, in rough outline, is as follows: Instead of opening new branches in any part of the interior of the Province, the central banking institution should select from the local *shroffs* a banker of good standing and reputation to act as its agent in that place. The *shroff* selected to act as an agent should lodge with the bank securities of amounts that may be mutually agreed upon, having regard to the volume of business and other considerations. He should guarantee the minimum volume of business he is expected to secure at the place, and in return receive adequate credit facilities at a preferential rate of interest, and make advances to local customers at a profit. He should allow periodical examination of his books to the bank's inspector and submit to the bank half-yearly or yearly balance sheets.

Simple as the scheme appears to be, from the bank's point of view it bristles with difficulties. Would the *shroff* selected as agent agree to confine the operations to banking pure and simple? Would he be content with the provision of increased credit facilities and agree to bear the loss, if any, resulting from his transactions as an agent? To ensure recovery of such losses, would he agree to deposit substantial amounts invested in securities bearing a rate of interest much lower than what he might be expected to earn, were such amounts invested in business? If he does not agree to take the responsibility for losses and prefers to work merely as an agent of the bank, would he give up all other business and utilise the bank's resources in advances to customers approved by the bank? If so, would the arrangement be at all remunerative to him? If, on the other hand, the agent is allowed to do his banking business independently of the business which he is expected to do as agent of the bank, and if he does not guarantee the repayment of all advances made by or through him, how should the business be controlled by the bank? In selecting business, would not the *shroff* be inclined to place his own interests before those of the bank? In cases of failure of borrowers, would not serious complications arise?

These are some of the practical difficulties that will have to be solved. The necessity of forging a link between the central banking institution and the indigenous bankers is, however, of such vital importance for the evolution of a co-ordinated credit system and for the spread of banking facilities in *taluka* towns and other small centres of the Province that we have carefully considered the proposal in all its bearings with a view to finding a solution of the difficulties. Were it possible to have properly organised branches of commercial or co-operative banks scattered over the Province in large numbers, as is the case in western countries, we would welcome them in preference to the agencies of the kind proposed. Such a development of branch banking, however, does not seem possible in the near future. Neither the joint stock banks nor the co-operative banks would, for some time to come, find it practicable to open branches in out-of-the-way parts in the Province in sufficient numbers. It seems, therefore, desirable to take advantage of the agency

of indigenous bankers by linking them up with the central banking institution in some suitable manner.

We are of opinion that the agency scheme should be introduced tentatively at selected places where there is no organised bank, either joint stock or co-operative, that the *shroff* nominated as agent of the central banking institution should receive funds from it to be employed by him at his own risk in making advances within sanctioned limits and subject to such general conditions as may be prescribed by the bank, at a rate of interest not exceeding 2 per cent. over the rate charged by the bank. The agent should do no business other than banking and so long as he undertakes to bear losses, if any, he should not be prevented from doing his own private banking business, but he should not make use of the bank's advances for his private business. He should lodge with the bank gilt-edged or other acceptable securities of amounts that might be mutually agreed upon, keep separate accounts of the business done on behalf of the bank and maintain regular account books which should be available to the bank for inspection and audit. The arrangement may be made in the first instance for a fixed period and may be renewed from time to time. We are further of opinion that in the selection of agents a syndicate of *shroffs* should be given preference to a single *shroff* or a firm of *shroffs*. Such combinations would have the prestige of regular banks, would inspire confidence in their strength and stability and would receive better facilities than single firms.

If the indigenous bankers are encouraged to increase their activities under the proposed scheme, the central banking institution would be able to discharge its obligations to supply banking facilities in such areas through the instrumentality of an agency which would be more economical and effective than a branch in reaching the people in the mofussil and providing the link necessary to connect the central banking institution with the indigenous agencies now financing towns and villages.

266. We have been asked to consider the suggestion sometimes made

QUESTION OF REGISTRATION.

that there should be a system of state registration of all indigenous bankers. The general trend of the *shroffs'* evidence is against registration. Some, however, stated that they would not object to registration provided they received further facilities as agents of the central banking institution. A suggestion has also been made for legislation for the regulation of the business of *shroffs* and for the audit and publication of their accounts. We are of opinion that no such measures are necessary. The question of regulation arises in connection with the evils of usury and we have dealt with the question at some length in Chapter XII. So far as the indigenous bankers are concerned, there is no need for any regulation. Indian banking has as yet a long way to travel before it attains the position reached in other advanced countries and in the existing circumstances we cannot view with favour any measures likely to cause a shrinkage in the loanable capital of the Province and consequent curtailment of credit.

SUGGESTION FOR
THE CONSTITUTION OF
A CENTRAL ASSOCIA-
TION OF INDIGENOUS
BANKERS.

267. It has been suggested to us that a central association of indigenous bankers should be formed in each important centre. According to the scheme suggested the bye-laws of such an association should be subject to the approval of Government, should prescribe the conditions essential to membership, and provide for the maintenance by members of regular account books and for the audit of their accounts, and it should be one of the important functions of the association to prepare from time to time and supply to the central banking institution, if required, authentic statements of the credit position of the members of the association. It has been suggested that with a view to offering an incentive to indigenous bankers to join the association, there should be some privileges attached to membership. A member of the association should, it is suggested, be recognised by the bank as a banker and given all concessions and facilities that are accorded to other banks. It is also suggested that members of the association should have the privilege of getting their *hundis* discounted with the bank at special reduced rates and that the bank's *hundi* operations should be restricted to members of the association only. The bank in its turn would require audited statements of accounts of such members' firm and it has been suggested that it should be incumbent on every member of the association to get the accounts of his firm audited by an auditor selected from a panel of certified auditors drawn up by the association and approved by Government. It would, no doubt, be essential for the indigenous bankers to adjust their methods to the system of modern banking. After careful consideration of the suggestion, we consider it very desirable, in the interests of Indian banking, that indigenous bankers' associations should be formed in important centres on the lines suggested and that they should be recognised by Government and the central banking institution of the country. We do not approve of the suggestion that members of the association should have the sole privilege of discounting their *hundis* with the central banking institution or that they should be allowed preferential rates. We recommend, however, that members of such associations should be given the same facilities as are afforded to recognized banks.

CHAPTER XIV.

OTHER INDIGENOUS CREDIT AGENCIES.

268. Indigenous credit agencies other than those mentioned in the last chapter, that is, those which do not receive deposits and, therefore, strictly speaking, stand outside the category of "indigenous banking," but which finance people in town and village in a variety of ways, may be enumerated and classified as under :—

(1) Money-lenders—

(a) Village money-lenders.

(b) Town money-lenders.

(c) Landowner or agriculturist money-lenders.

(d) Goldsmiths and dealers in ornaments who specialise in loans secured by pledge of ornaments.

(e) Moneyed persons of all classes who invest surplus funds in loans.

(2) *Shroffs* and other persons dealing in *hundis*.

(3) Merchants, commission agents and *dalals*.

269. Borrowed capital is an essential factor in the economic life of the village. The *sowcar* is, therefore, so to say, the centre round which rural society revolves. One of the remarkable features of village life in ancient India was the development of a system of mutual help and co-operation. Whatever his occupation, every member of the village community was dependent on another and amenable to social regulations and control. India being an agricultural country, subject generally to famine and other natural calamities, there was in the country, from the earliest times, much scope for money-lending as a calling. The money-lender was the saviour of the villager in time of trouble and distress. Although his interests did not coincide with those of the borrower, so long as the constitution of the village society was such as to promote and ensure fellow-feeling and inter-dependence, the relations between the debtor and the creditor were not very different from those of a buyer and a seller. The money-lender was then restrained in his demands. He could not drive unconscionable bargains for fear of offending society and inviting a social boycott. For the same reasons the borrower also could not repudiate his liability with impunity. Death was preferable to default. He recognised his obligations to the money-lender the necessity for whose assistance was felt by all and with whose timely help people in need of money were able to tide over their difficulties. Indispensable as the money-lender is to-day, he was more so in those days. One of the ancient proverbs pithily describes the position assigned to him in the old village economy : "No salvation except through the Guru ; no credit except through the *sowcar*."

Owing to the introduction of the system of centralisation under the British rule and the consequent transfer of administrative authority to distant headquarters the old autonomous village communities came to be gradually disintegrated. The authority of the village assembly

weakened and the fear of social boycott no longer restrained the money-lender's tendency to profit at the expense of the borrower. The new system of administration of law and justice further strengthened his position. The old order of mutual goodwill and inter-dependence vanished, giving place to one of bitterness and antagonism between the money-lender and the borrower. The growing pressure of population on the land and the rigidity of the procedure of collecting land revenue, subsequently relieved by the introduction of a system of suspension and remission, contributed to the result of increasing the burden of indebtedness.

In Chapter XII we have described how the Dekkhan Agriculturists' Relief Act, enacted with the object of protecting the agriculturist, has further embittered the relations between the money-lender and his clientele, how owing mainly to the situation created by such legislation the agriculturist has lost his credit and how the honest money-lender has been forced to withdraw from the business of money-lending. Even so, the much maligned money-lender is still the main source of agricultural credit. The factors which contribute to his indispensability and ascendancy in rural finance are :—

- (1) he is accessible at all times of the day and even at night,
- (2) his methods of business are simple and elastic,
- (3) he maintains a close personal touch with the borrower, often having hereditary relations with the family of the borrower,
- (4) his local knowledge and experience and his presence on the spot enable him to give loans even to persons devoid of any tangible assets and at the same time protect himself from losses.

270. The survival of the *sowcar* as the most important source of the cultivator's finance, however, does not imply the continuance of the old relations between the money-lender and the agriculturist borrower. He is no longer swayed by the old sentiment of personal honour and integrity. The change in the system of law and administration of justice, which we have referred to above, has encouraged litigation, and the facilities provided by the new system are being readily availed of both by the money-lender and the borrower to overreach each other. The debtor tries to take every advantage of the existing provisions of the law to evade repayment and the *sowcar* in turn resorts to various devices, such as taking bonds for double the amount lent and conditional sale deeds.

271. The money-lender's methods of business and system of accounts are simple enough. If goods are given on credit, an entry in the shop-keeper's book, about the accuracy of which the borrower seldom, if ever, cares to satisfy himself, is sufficient. When cash is paid, the money-lender's book is generally the only record of evidence of debt. Loans are sometimes given on mutual trust without any writing, but generally a promissory note or bond is taken from the borrower. When ornaments are pledged, a receipt is usually given. The other forms of loans are mortgages and sale deeds.

Sale deeds are often conditional, the oral arrangement between the creditor and the borrower being that the land is to be retransferred on repayment of the debt. Possessory mortgages are common in some places, such as the coast land in Gujerat, and rare in other areas such as the Karnatak. In some places, such as Dharwar, mortgages without possession are preferred by the creditors as in cases of dispute debtors have often contested the claim of the money-lenders in courts of law, on the plea that having had the possession of the land they have partially or wholly recovered the debt from the income.

Whether the loan is taken for a productive or unproductive purpose is a matter in which the creditor is not interested. Nor is he concerned with the manner in which the loan is spent. Interest is seldom paid regularly and the period of repayment, even if fixed, is not considered binding on the borrower. So long as the money-lender considers that there is sufficient security, he does not mind the delay in repayment. Often it suits him to wait. Thus interest is added to interest until the total reaches so high a figure that recourse to law court is necessary. In the old days, computation of accumulated interest was limited by custom (*dam dupat*) to a hundred per cent. Under the modern law the canons of custom have given way to the rules of arithmetic. Interest is allowed to accumulate without limit and although the courts still apply the rule of *dam dupat* in some cases, instalments of interest previously paid are not taken into account.

272. The village money-lender generally carries on business with his own capital, but, if necessary, he borrows from the town *sowcar* or indigenous banker. His capital is, as a rule, limited and fully invested. Our inquiries show that scarcely any surplus remains uninvested except that, in Sind, when some money-lenders have a surplus in hand, they sometimes invest it in *hundis*. In some cases surplus funds are deposited in banks or invested in local trade and industry.

273. Loans in kind are not as common as before, but the intensive inquiries carried out by us show that advances are still made as well as recovered in kind. The village *sowcar* combines trading with money-lending. He generally keeps a retail shop and the villagers buy from him articles of daily necessity, mostly on credit. He is also a purchaser of local products and a dealer in imported articles. In some places he also acts as commission agent to the town money-lender or merchant and transmits the harvested crops to him. He also serves as a marketing and selling agent to agriculturists. Having thus a hold on the borrower's income, he gives loans to him of seed and other requisites and is able to recover his dues at harvest time in the shape of produce. On this he reaps a profit twice, firstly, from the producer, to whom he has advanced the loan, and secondly, from the consumer, to whom he sells on credit.

274. Dealing with an indigent population, the *sowcar* charges interest at the rate of 12 to 25 per cent. or even more.

RATE OF INTEREST.

The rate of interest varies from district to

district and from season to season, in accordance with the need of the borrower, his credit position and the nature and value of the security offered by him. In some areas the *sowcars* run considerable risks as they advance loans on very small or no security. They, therefore, charge high rates of interest and impose rigorous conditions requiring the borrowers to sell produce or finished articles to or through them. In other cases the economic condition of the borrower may be better so that the rate of interest and other conditions attached to loans would be less rigorous. Without extensive detailed inquiries an arithmetical analysis of the situation concerning the terms of advances is not possible, but a few broad tendencies revealed by inquiries made by us and previous inquiries by others may be noted.

Inquiries conducted by Dr. Mann in two dry villages of the Deccan showed that the general rate of interest varied between 12 and 24 per cent., the rate rising in exceptional cases to 75 per cent.* Evidence before us largely confirms these results. The majority of the witnesses put the rate between 12 and 25 per cent. and this appears to be the rate prevailing in the major portion of the Province, the two notable exceptions being Gujerat where the minimum rate is 9 per cent. and Sind where the maximum is as high as 50 per cent. Investigations made in Konkan by Mr. V. G. Ranade placed the limit between 9 and 30 per cent.†, while according to the investigations into the financing of cotton made under the instructions of the Indian Central Cotton Committee the rate fluctuated between $9\frac{3}{4}$ and 50 per cent., 8 per cent. of the loan being borrowed at rates above 25 per cent.

Intensive inquiries carried out by us in selected villages in the Broach and Dharwar districts show that in Broach the rate of interest ranged between $6\frac{3}{4}$ and 12 per cent., rising in a few cases to 25 per cent., whereas in Dharwar the rate varied between 12 and 25 per cent. In middle Gujerat, according to the investigations of the Indian Central Cotton Committee, the rate varied between 9 and 12 per cent. In Khandesh it ranged between 12 and 18 per cent., whereas in Sind the *sowcars* levied between $18\frac{3}{4}$ and $37\frac{1}{2}$ per cent. besides exacting personal service from the debtors, e.g., repairing the *sowcar's* shop or house, carrying his goods on their camels and cultivating his land without remuneration.

In the light of the results of the various investigations, checked by the inquiries made by us and the evidence placed before us, a few general inferences may be drawn concerning the rate of interest prevailing in the different parts of the Province. The rate is the highest in Sind, lower in the Konkan, the Deccan, Khandesh and the Karnatak, and the lowest in Gujerat. While the rate generally varies between 12 and 24 per cent. in the Konkan, the Deccan, Khandesh and the Karnatak, it often rises to 50 per cent. in Sind. As a matter of fact, the Central Cotton Committee's investigations showed that nearly 25 per cent. of the loans in Sind were borrowed at rates exceeding 25 per cent., while three of the witnesses, who gave evidence before us in Sind, put the range between 18 and 50 per cent. In Gujerat

* *Land and Labour in a Deccan Village.*

† *A Social and Economic Survey of a Konkan Village.*

the Cotton Committee's investigations showed that nearly 65 per cent. of the amount borrowed was at the rate of $9\frac{3}{4}$ per cent. and the evidence given before us in Gujerat placed the rate between 9 and 15 per cent. Money is thus cheapest in Gujerat and dearest in Sind. Another fact that emerges from this survey is that while the rate of interest generally varies between 12 and 25 per cent. it is often much less on loans secured by land or other kind of property, *viz.*, about 12 per cent. In the case of villages surveyed by Dr. Mann and Mr. Ranade the average rate of interest on money raised on land was about 14 per cent. against about 23 per cent. on loans on personal security. In regard to the villages in the Dharwar district, surveyed by our investigators, however, we find that the difference is not so great :—

	Bhadrapur	Sangur	Advisomapur	Khanapur Deh (north of Narbada)	Sajod (south of Narbada)
Average rate per cent. of interest on money raised on land ..	13	15	25	12	9
Average rate per cent. of interest on money raised on personal security ..	18	15	27	15	12

Sangur and Advisomapur are villages where, save in a few cases, loans are received on personal security. Advisomapur, which shows the highest rate of interest, is situated in a tract known as "the region of decay." The co-operative movement has made very little progress in the tract and the general economic level of the people is very low.

The rate charged in most places on loans advanced against the security of gold and silver ornaments is 9 to 12 per cent. Our inquiries in Dharwar villages, however, brought to light several cases in which the village money-lenders charged interest at the rate of $18\frac{3}{4}$ per cent. to 25 per cent. even though the loans given by them were secured by pledge of ornaments. These cases may be regarded as exceptional. The general tenor of evidence shows that for secured advances the rate of interest is lower. Small, unsecured short term loans were advanced at rates approaching 75 per cent. and even 150 per cent., most of these transactions being loans from Pathans whose interest charges are known to be unconscionably high in all parts of the Province.

The rates of interest also differ according to the occupation or social standing of the borrower. For instance, a witness from Sholapur stated that whereas the rate of interest for loans to agriculturists varied between 12 and 24 per cent., artisans were charged interest at the rate of 9 to 15 per cent. only. Similarly, the Kaliparaj classes in Gujerat did not share the general benefit of a low rate of interest which the superior classes of people enjoyed and were charged from 18 to 50 per cent.

275. We append a statement embodying a few cases of borrowing in the Dharwar villages. This statement will illustrate

TYPICAL CASES. the various objects for which loans are raised, the different methods and forms of advance, the practice of taking bonds for amounts higher than those advanced, the nature and variety of securities taken, the diversity of mortgage and sale deeds, the rates of interest charged and the extraordinary conditions imposed in some cases.

Cases of borrowing in villages surveyed

Serial No.	Amount borrowed		Signed for	Rate of interest	Purpose of Loan
	Cash	In kind			
	Rs.		Rs.		
1	....	2 bags Ragi.	..	1 bag to be given at or after harvest.	Domestic expenses..
2	112	....	..	....	Weeding ..
3	400	....	800	25 Per cent.	Purchase of bulls ..
4	700	....	3,800	12 ..	Domestic expenses..
5	22	....	Nil.	150 ..	To buy leather for making sandals.
6	180	....	..	24 ..	To buy seed and to repay petty debts, and for general expenses.
7	50	....	200	24 ..	Domestic expenses..
8	1,250	....	1,250	12½ ..	To clear up trade losses.
9	64	....	64	....	Domestic expenses..

in the Dharwar District.

Security for debt	Other conditions	Remarks
Personal ..	Failure to pay interest in kind, which is called <i>Vata</i> , makes the debtor liable to <i>Vata</i> on <i>Vata</i> also.	.
A contract deed.	Should give 14 bags of paddy at harvest time, <i>i.e.</i> , 4 months after loan was taken.	These loans are in the nature of forward sales.
Promissory Note.	The amount is to be repaid in three annual instalments with interest.	On the date for payment of instalment the creditor's servant comes for recovery. If recovery is delayed, he sits at the door and must be fed. If payment is still delayed, other servants come who also have to be fed till payment is made.
Promissory Note.	....	Original debt 700. Renewed 5 times every 3 years, the last promissory note was passed for Rs. 3,800.
Personal ..	....	Shows the extortionate rates of interest that depressed class people pay even for loans for productive purposes.
Gold ornaments.	....	Even pledge of gold is no consideration in easing the interest rates when need dominates.
Mortgage of house.	One year's interest, Rs.12, recovered from Rs. 50 advanced.	The debtor had to spend Rs. 9 for purchasing the stamped paper and other expenses. This case illustrates the extent to which documents for higher amounts are taken and deductions are made.
Sale deed ..	The land was to be re-conveyed if payment was made within 4 years.	The period has passed and the sale has become absolute.
Lease deed in which payment of rent for 6 years in advance is acknowledged.	....	These lease deeds are displacing usufructuary mortgages both because they involve less trouble and expenses.

The village money-lender also finances cottage industries. Often the loans given to artisans are subject to the condition that all the goods should be sold to him at prices fixed by him. The artisan is thus made the financier's bondsman. Sometimes, the *sowcar* furnishes the materials and the artisan has to make over the finished products to him, taking such return for labour as the *sowcar* appertions.

276. The *sowcar*'s own difficulties may also be mentioned. As stated in paragraph 3, the institution of law courts has strengthened his position as compared to what it was in pre-British days, but the advantage is offset by the cost of litigation and the law's delays. Moreover, as a rule, the *sowcar* is allowed by the courts a much lower rate of interest than that stipulated in the bond, repayment is spread over a number of small instalments and it takes a long time before decrees are executed. These handicaps react on the borrowers as a class, as the *sowcar* regulates his dealings so as to indemnify himself against all such losses. We have already called attention to the desirability of removing these difficulties in paragraph 238 of Chapter XII.

277. What has been said above concerning the methods of business and the nature of transactions of the village money-lender applies to the town *sowcar* except that his operations are usually on a larger scale and the rate of interest is not so high as in villages. In his dealings, however, with small craftsmen and wage-earners, the rate of interest is necessarily high. Like the village money-lender he also combines shop-keeping, trading and agriculture with his calling.

278. Agriculturists having surplus funds play no small part in rural finance as a credit agency. In Sind, after the *sowcar*, the *zemindar* is the most important financier of the agriculturists. But these brother-cultivators, instead of being a blessing to the cultivators, often prove more exacting than the ordinary *sowcar*. Whilst lending money they have generally an eye to the land, and they eagerly seize the opportunity to pounce upon it. The agriculturist money-lender usually lends seed secured against future crops or cash against the security of land, taking mortgages or sale-deeds. The rate of interest he levies is nearly the same as that charged by the *sowcar*. There are, of course, exceptions; when a considerate landowner lends money to his tenant or servant, the terms of the loan are often much easier.

279. Lending against the security of gold and silver ornaments is THE CHOKSI OR SARAF. considered everywhere a safe and paying proposition. Some money-lenders, therefore, concentrate on this class of business. Often they repledge to other *shroffs* ornaments pledged to them, themselves paying interest between 6 and 9 per cent. and levying interest at rates varying from 9 to 12 per cent. The most notable of this class of money-lenders are the *choksis* in Gujerat and the *sarafs* in the Deccan. They usually deal in gold and silver and play

the part of pawnbrokers by lending money on pledge of gold and silver ornaments. The rates of interest charged are fairly easy, compared with those charged in the Karnatak and other parts of the Province.

280. Persons wishing to earn interest on their surplus capital also take to money-lending. Most of them lend money only to those whom they know fairly well and on good security. The security generally favoured is land or ornaments. This form of investment of surplus money is so easy and safe that a heterogeneous class of money-lenders has sprung up in various towns and villages, composed of moneyed men and women, pleaders, pensioners, salary earners, goldsmiths, small traders, artisans and even wage earners.

281. Amongst other *shroffs* the most conspicuous are the Multanis. For reasons given in the last chapter we have included a description of their operations in that chapter, although according to the definition adopted for the purposes of this inquiry, many of them remain outside the category of "indigenous bankers." These *shroffs* finance people by buying or discounting their *hundis*. Their share in the finance of trade and industry of the Province is so important that we have had occasion to refer in several chapters to their activities. There is no need, therefore, to say anything more about them here. They are not the only financiers who lend money by buying *hundis*. Amongst the miscellaneous class of moneyed persons in Sind who have taken to the business of money-lending are some wealthy persons who give loans to parties known to them and whose *hundis* they can readily accept. Their operations are, however, confined strictly to a small clientele whose *hundis* they purchase at moderate rates of interest.

282. The merchant, or the *adatyā*, sometimes lends money to the grower of commercial crops or to the artisan on the understanding that his crops or finished products should be sold to or through the lender. The rate of interest varies from 9 to 12 per cent. The agriculturist, or artisan debtor, is in several cases thus bound hand and foot to the creditor.

Wholesale merchants finance retail merchants and *dalals*, and these in turn finance the small traders. Wholesale merchants either sell goods on credit or advance loans to small traders, as mentioned in Chapter VIII. Usually the local *sowcar* is himself the *dalal* or agent. In some cases trading is subsidiary to money-lending, while in others money-lending is subsidiary to the main business.

Gin owners also take a little part in financing agriculture, sometimes on condition that the borrower sells his crop to the lender or gets it ginned at the lender's factory.

There is a general impression in several quarters that some export houses finance agriculturists through their *dalals*. We have not

had, however, any authentic evidence on the subject. On the contrary, the results of our inquiries point to the conclusion that these firms do not directly or indirectly advance loans to agriculturists and this is borne out, as regards finance of cotton, by the investigations of the Indian Central Cotton Committee. It is probable, however, that the loan transactions of those commission agents, or *dalals*, who are financed by the firms, and who also do money-lending business as stated above, have given rise to the impression that the export houses have their hand in rural finance. We have seen in Chapter VIII that these houses do finance merchants and commission agents. So far as internal trade is concerned, the funds of the big houses to a certain extent find their way to the various *bazars* through the agency of the commission agents and *dalals*.

283. In Chapter XII (Legislation and Legal Procedure) we have dealt fully with the question of controlling the operations of money-lenders and the introduction of a system of registration and licensing. For the reasons stated in that chapter we do not support the proposal for licensing money-lenders, but suggest that there should be legal provisions for the regulation of their accounts.

LICENSING AND LEGISLATION.

284. The question of the Pathan money-lenders formed part of the subject matter of the enquiry entrusted to us. The Bombay Riots Committee of 1929 also called attention to it as a subject deserving special consideration and suggested that we should investigate the question. In most of the districts which we visited, we received evidence about the alarming manner in which the Pathans carried on money-lending business. We also collected information from various district magistrates and the Commissioner of Police in Bombay to ascertain the extent of business carried on by these people, the terms on which they advanced loans and the methods adopted for recovery. It appears from the information received by us that except in Kanara and in parts of Sind, the Pathan is to be found in small or large numbers in all the parts of the Province. In Sind he sells articles on credit and does actual money-lending business. The Pathan's business is confined more to particular classes of people than to particular tracts. Nevertheless, it can be said that industrial towns, where there are large classes of indigent people, backward tracts and famine zones constitute their sphere of operations. Poor wage earners such as factory workers, menial servants, peons, low-paid clerks, aboriginal tribes, depressed and backward classes form their usual clientele. Sometimes men in a better position, such as railway servants receiving good salaries, also invoke their assistance. Except in a few tracts such as Shahpur in Thana district and parts of Gujerat where cultivators belong to Kaliparaj classes, the agriculturists as a class do not resort to these Pathan money-lenders.

The Pathans advance any amount from Re. 1 to Rs. 500, but their usual limits are from Rs. 5 to Rs. 50. The rates of interest are very high, two annas per rupee per month being very common, while in some

cases the rate rises even to 360 per cent. Default in payment leads to levy of penal interest. The period of repayment varies from one week to three years, but most of the loans are for short periods ranging from one week to three months. Promissory notes and signatures or thumb impressions in *khata* books are the most common forms of acknowledgment obtained from the debtors.

Recoveries are made regularly and punctually. In cases of default the Pathan uses force to make recovery. He seldom resorts to law courts as abuse, threat, intimidation, obstruction, violence and even other questionable means of recovery answer the purpose equally well, probably better, so far as he is concerned. Even when criminal force is used against the debtors, the poorer classes of population are so much terrorised that complaints against the Pathans for the use of force are seldom filed. We are informed that three Pathans were bound over under Chapter VIII of the Criminal Procedure Code in the Kolaba district and that two complaints were received in another district in which the accused were convicted and sentenced. The capital invested by the Pathans in this province ranges according to the estimates furnished to us from Rs. 4,000 in Ratnagiri and Bijapur to Rs. 1,00,000 or Rs. 1,50,000 in Ahmednagar and East Khandesh.

In considering the question of money-lending by the Pathans, one has to remember that they deal with classes of people who have practically no credit and to whom even the village money-lender refuses to make any advances. The sums advanced by the Pathan are usually very small in amount and given for temporary accommodation. The lender runs a great risk of losing his money and has naturally to charge a higher rate of interest than that prevailing in the tract. It is, however, not so much to the high rates of interest, and these are undoubtedly exorbitant, that the objection against the system of money-lending by the Pathans lies. It is the means and methods that he uses for the recovery of his dues that are objectionable. Assaults, insults to debtors, both men and women, intimidation and wrongful restraint are some of the measures adopted. Actual cases of violence may not be many, but the methods employed are such as to keep the borrower in perpetual fear of being victimised. Should wrongful methods of recovery be resorted to by the Pathans, the best course would be to prosecute them. This, if possible, would be certainly one way of checking the evil, but the people who deal with him are so ignorant and are so terror-stricken that they scarcely dare file a complaint against them. The result of the action recently taken in Kolaba is reported to be very salutary. Some of the Pathans are reported to have closed down their business in the district after proceedings were taken against the three Pathans. We think that it is very necessary for district authorities to watch the conduct of the Pathans engaged in money-lending, especially in tracts where the population is backward, and take, whenever necessary, the initiative in prosecuting the Pathans where they are found harassing the people. It would be too much to expect the oppressed to come forward to file complaints of their own accord. Even when Government take the

initiative, evidence may not be forthcoming against the Pathans owing to the fear engendered in the minds of the injured parties. We suggest, therefore, that where complaints about oppression by Pathans are common and no proceedings can be taken against them under the ordinary law, Government should take action under section 3 of the Foreigners' Act* or under some special legislation and deport such money-lending Pathans as are found to be a menace to society. A few such cases of deportation will have a very wholesome effect in curbing the evil.

* India Act III of 1864.

CHAPTER XV.

MISCELLANEOUS.

285. In any survey of the credit organisation of a country the question of banking legislation ought to receive careful consideration in the light of the experience gained concerning existing and defunct institutions. In India the problem assumes greater importance as it is not a matter merely of taking precautions against unsound banking, the necessity for which may have been felt in the past, but also a question of popularising the banking system, cultivating the banking habit, promoting thrift and inspiring confidence in the stability of banking institutions. The question of banking legislation was beyond the purview of our inquiry, it being one of the subjects reserved for the Central Committee to investigate. We did not, therefore, call for evidence on the subject and received no suggestions except incidentally from one or two quarters. The Bombay Shareholders' Association particularly called our attention to the need for special banking legislation, but we did not pursue the matter further in the course of the oral evidence of the representatives of the Association. We find, however, from the standard framework for the Provincial Committees' report settled by the Central Committee and received by us after our examination of witnesses had been concluded that the Provincial Committees are expected to deal with the question of banking law and amendment of law relating to banking practice. In the circumstances we can do no more than offer a few general observations on the subject.

Banks in India are at present governed by the Indian Companies Act some of the sections of which impose certain obligations on banks concerning registration and maintenance of registers of shareholders, the keeping and audit of accounts, the preparation of balance sheets and the publication of balance sheets and statements of affairs in prescribed form. There are no specific provisions for the conduct and management of the business of banks. The Imperial Bank of India is governed by a special Act, *viz.*, the Imperial Bank of India Act, which imposes various restrictions on the activities of the Bank, having regard to the fact that it occupies the privileged position of acting as bankers to Government. The exchange banks are not required to be registered in this country and they are not therefore subject to the same provisions of the Indian Companies Act as are applicable to banking institutions incorporated in India. With the growth of Indian joint stock banks much experience has been gained concerning defects in organisation, supervision and management. Particularly, after the bank failures in 1913, which brought many defects to light, the desirability of imposing certain restrictions on banks has received considerable attention and suggestions have frequently been made to provide legal safeguards for protecting depositors as well as the banks themselves. Since the year 1913 there have been several cases of failures of Indian banks incorporated under the Indian Companies Act. Such failures are apt to shake the confidence of the investing public in credit institutions, especially when the failures are due to fraudulent management.

286. There appears to be a consensus of opinion that the use of the term "bank" should be restricted to institutions doing banking business proper. As stated in chapter XIII, the term "banking" has defied all attempts at definition, but according to the accepted interpretation of the term a bank includes "every person, firm or company having a place of business where credits are opened by the deposit or collection of money or currency, subject to be paid or remitted upon draft, cheque, or order, or where money is advanced or loaned, or stocks, bonds, bullion, bills of exchange or promissory notes are received for discount or sale." Banking essentially means dealing in other people's money, but the term is often appropriated by money-lenders who do not receive deposits and by persons who combine with the business of receiving deposits and making advances other business not ordinarily associated with or included in banking. It is, therefore, necessary to provide by law that the use of the term "bank" should be restricted to a person, firm or institution registering itself as a bank and doing exclusively what is ordinarily understood as banking.

287. All the organised banks, Indian as well as non-Indian, carry on their business in English, cheques and pass-books are printed in English and, with the exception of the co-operative banks and a few joint stock banks which recognise cheques and signatures in the vernacular script, the use of vernaculars is discouraged. It is obvious that in a country where few can read and write English such a policy is bound to retard the progress of banking. We propose to deal more fully with the question in the next chapter in connection with the problem of investment habit and attraction of capital.

CHAPTER XVI.

INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

288. When comparisons are made between the number of banks and their transactions in this Province and in a province or state of similar size in Europe or America, one is apt to take the superficial view that the banking and investment habit is of very slow growth in this Province. This conclusion would not, however, be warranted by the facts of the situation, for it fails to take into consideration the large volume of business carried on by indigenous bankers in every nook and corner of the Province and ignores the slowly growing banking business of co-operative societies and banks.

The development of banking in any community is dependent on its progress in education, its ability to save and invest, the stability of its currency system, the expansion and contraction of credit in response to the demands of trade, industry and agriculture, the facilities available for the safe keeping of savings, and lastly, on the degree of confidence inspired by its credit institutions. In the chapter on "Agricultural Credit", we have emphasized the value of the diffusion of general education in building up a sound and stable system of credit. What is true of credit is equally applicable to the growth of the investment habit and the attraction of the savings of the people for productive employment. Where education is more general, as in urban areas, capital is not, as a rule, shy and can be attracted, provided facilities for investment are developed. This is borne out in this Province by the large volume of financial support extended to joint stock organisations, Government securities and postal cash certificates, and by the experience of joint stock and co-operative banks. Indian joint stock banking has made considerable progress in this province, and co-operative urban banking has not found so congenial a field for the tapping of local capital anywhere in India as in this Province. We may, however, observe here, that even with the progress of education and the provision of modern banking facilities, the investment habit will not grow unless people possess the capacity to save. Nothing will promote this habit and develop banking so effectively as measures for raising the earning capacity of the agricultural population.

289. Among the agencies created for the encouragement of thrift and the attraction of savings, one of the oldest and the most important is the postal savings bank. Savings banks were first established in the Presidency towns between 1833 and 1835, and later on, district savings banks were attached to certain district treasuries. The system of post office savings banks was introduced in 1882. These banks took over the business of the district savings banks in 1886 and of the banks in the Presidency towns in 1896. The Government of India run the savings banks through their Department of Posts and Telegraphs, and the deposits collected by the banks are absorbed in their general resources. With the grant of certain

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facilities to depositors in the year 1914, the volume of business has risen considerably in recent years. The following statement shows the number of accounts opened and the balances held at the end of each year during the ten years 1919-20 to 1928-29 in the Province, including Indian States.

Year				Number of accounts opened	Closing Balance		
					Rs.	a.	p.
1919-20	..	..	..	34,568	4,83,45,635	1	4
1920-21	..	..	..	34,232	4,85,15,724	13	10
1921-22	..	..	..	33,448	5,05,96,417	2	11
1922-23	..	..	..	33,513	5,33,40,269	10	9
1923-24*	..	..	..	34,484	5,49,79,085	10	5½
1924-25*	..	..	..	35,903	5,38,53,284	12	2
1925-26*	..	..	..	36,876	5,35,46,120	12	4
1926-27*	..	..	..	42,278	5,64,69,863	0	11
1927-28*	..	..	..	37,408	6,31,88,775	1	11
1928-29*	..	..	..	54,680	Not available.		

*The figures for these years include figures for Baluchistan also, as separate figures for Sind are not available in the annual reports on the Posts and Telegraphs for these years.

It may be observed that the amount of deposits in this Province was a little more than one-fifth of the total deposits for the whole country, including Indian States

The limits of deposits to be made and the total balance that can be held by a single depositor were raised in 1914 from Rs. 200 and Rs. 2,000 to Rs. 750 and Rs. 5,000 respectively, while the limit for balances in minors' accounts is Rs. 1,000 only. Various suggestions for raising these limits have been made to us with a view to popularizing the system of post office savings banks as a means of promoting thrift. We suggest that the limit in respect of minors' accounts may be raised, but we do not agree with the suggestion that the ordinary limits should be raised still further. We also recommend that persons having accounts should be permitted to make deposits and withdrawals by means of cheques, in selected post offices. The use of the cheque in post office savings banks as an instrument for transfer of funds from one individual to another should, we suggest, be gradually encouraged. A small commission may be charged on such cheques on presentation for collection at other centres. Another facility we recommend is the provision for the opening of accounts in the names of two persons, payable to either or survivor, and for the recording of nomination of the heir to whom payment is to be made in the event of the depositor's death. The present procedure for payment to heirs of deceased depositors is necessarily dilatory as the legal position has to be examined for all claimants of larger amounts, and it can be improved only if the foregoing suggestion is accepted. The Postmaster-General stated, in the course of his evidence, that his Department does not hesitate to open new savings bank offices where there are fair prospects of business, but we are inclined to believe that the number of such new offices will increase if some preliminary propaganda is carried on, and if in the experimental stage in selected areas officers of co-operative societies or village school-masters serving as part-time postmasters are entrusted with the work of collecting

deposits and passing them on to the nearest post office savings banks.

290. The Post Office operate the system of postal cash certificates by which large sums are being raised in recent years for the finances of the Government of India. The system was introduced to provide an attractive investment for the savings of the middle classes and other sections of the population, and to utilize these as an additional source of credit for the Government of India. The scheme has been wholly successful in attaining the two-fold object Government had in view. The following figures show the sales of post office cash certificates in the Presidency proper with the changes in the rates at which they were available, from time to time.

Statement showing the amount of cash certificates issued in the Bombay Presidency during the years 1923-24 to 1928-29.

					Rs.	a.	p.
1923-24	..	..	..	..	1,32,10,192	8	0
1924-25	..	..	..	..	1,38,07,665	0	0
1925-26	..	..	..	..	2,45,76,042	8	0
1926-27	..	..	..	..	1,85,43,300	4	0
1927-28	..	..	..	..	1,43,84,278	0	0
1928-29	..	..	..	..	1,15,49,567	0	0

Rates for a certificate of Rs. 10.

				Rs.	a.	p.
1st April 1917 to 1st April 1923	..	..	..	7	12	0
1st April 1923 to 1st April 1926	..	..	..	7	8	0
1st April 1926 to 1st July 1927	..	..	..	7	12	0
1st July 1927 to 1st August 1929	..	..	..	8	0	0
From 1st August 1929	..	..	..	7	12	0

Some suggestions have been made to us with a view to encouraging this form of investment. Of these, the only one we approve of is the introduction of a system of nominations as proposed for savings banks. There is considerable divergence of opinion regarding the suitability of the rate of interest paid on these certificates; a few witnesses urged an increase, while a large majority held that the rate now earned was so high as to divert a good portion of the surplus capital to this form of investment, at the cost of deposits with organised banks and indigenous bankers. There were some witnesses who went so far as to propose the withdrawal of the system. We are unable to accept this view inasmuch as the system has had valuable results in drawing out, for remunerative and safe investment with the State, the savings held by individuals in urban areas. We hold that the terms on which the cash certificates are issued are now comparatively high and set up a competition on unfair terms with banks and bankers; we would suggest a lowering of the yield so as to keep it on a par with the prevailing yield on Government securities. As few changes as possible should be made in the rate of

interest which should be fixed, like the rate of interest payable on post office savings banks.

The classes of population taking advantage of the two systems described above are mainly the educated middle classes, Government servants, men in the professions and other individuals with fixed incomes, as well as some petty indigenous bankers and *sowcars*, and only occasionally the landed proprietors. While agriculturists are not generally among the depositing classes they are indirectly affected by the system, for it has been represented to us that had these resources not been drained away for the use of the Central Government, they would have been available, at least in part, for investment for the benefit of the agricultural classes and for the finance of local trade and industry through co-operative banks or indigenous bankers.

291. We recognise that with three different authorities—local, provincial and central—anxious to raise funds by borrowings from the general public, there is bound to be some overlapping in their operations and even conflict of interest. It is also inevitable that out of the savings of the people available for investment in a local area, some portion will be drawn outside the area, but such free circulation of capital cannot be objected to as it is generally conducive to national development. Essentially, the national and the local interests are identical; and the only precaution that is necessary is to secure that local works of public utility and local banks and bankers are not starved of funds. From the evidence recorded by us, we are, however, convinced that the diversion of funds outside the districts has in some centres gone too far, and the pinch is beginning to be felt seriously by local trade, industry and agriculture. We have already suggested that the rate of interest payable on cash certificates should be reduced, and we anticipate that this will have some effect in checking the flow of investment in that channel. That step, however, is not enough; and with a view to utilising the credit of the State to cheapen the cost of credit for agriculture, we have already recommended in paragraph 93 that a part of the amount collected by Government through the post office should be placed at the disposal of co-operative societies, or be advanced as *tagavi* to individuals.

In view of their policy of borrowing from rural and urban areas under the jurisdiction of local and provincial authorities, the Central Government incur a certain measure of responsibility for seeing that the local population have the benefit of the general savings of the community for their economic development. Hence, in addition to the recommendation made above, we suggest that the Provincial Governments should have a claim on the Central Government for cheap funds for the development of agriculture, trade and industry and for the grant of loans to public bodies such as municipalities and local boards on reasonable terms.

292. Another method by which Government meet their “ways and means” requirements is by the issue of Treasury Bills. This is a system of borrowing well known in England and introduced here first during the period of the War. It

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has been revived in recent years, with this modification of policy that these bills are now issued throughout the year instead of in the slack season when they are useful to the money-market in drawing away and utilising the seasonal surplus funds in banks and with bankers. The borrowings are now not on a short-term basis, as was the original practice, but bills of nine or twelve months' maturity are becoming almost a normal feature of Government financial operations. And, of late, the rates of interest have been higher than are justified by the conditions of the money-market and naturally have the effect of diverting investments towards this channel. The result is that higher rates have to be paid on banking deposits, and, as a further consequence, the terms on which credit is made available for trade and industry have to be raised unduly. These features of the system, if persisted in, are, in our opinion, likely to hamper the growth of deposit banking and may, in the long run, even affect the lending operations of banks which would be inclined to prefer this safe investment with Government at high rates of interest to advances on usual terms to their own customers. As the system of treasury bills is chiefly intended for the larger investors in centres with money-markets of their own, we do not recommend the adoption of any measures for making the issues popular among the investing classes in upcountry centres.

293. The existing facilities for investment in Government securities are, we believe, sufficient, but we recommend the opening of Public Debt Offices in Karachi and Ahmedabad, both of which are centres of considerable financial importance and at which there is, we understand from the evidence tendered to us, a fair volume of dealings in Government securities. These two centres may also be authorized to issue treasury bills at the advertised rates after acceptance of tenders. Our attention was called by some witnesses to the slight setback to the popularity of Government securities issued in the form of scrip transferable by endorsement, caused by certain recent fraudulent transactions where endorsements were forged. It is open to investors, if they so prefer, to apply for stock certificates, and bearer bonds may be issued, as was the practice when War Loans were floated, to those who do not mind the risk involved in keeping securities in that form. But the transferable bond will remain the most popular scrip and the only suggestion we have to commend to the notice of Government is that interest coupons should be attached to the bonds and that the procedure for renewing notes, issuing bonds of smaller denominations, endorsing for payment of interest, or changing enfacement is simplified and speeded up at the Public Debt Office. Banks may help better than they do at present in popularizing investments in securities by reducing their charges for safe custody, for purchase and sale of securities or collection of interest and by offering attractive terms, as the Imperial Bank of India occasionally does when the issue of new Government loans is announced, for purchase of the loans in instalments. It was the practice for Government when subscriptions to new issues were invited during the years of the War, to attach a post office section intended for investment by

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persons of small means, particularly in upcountry centres. This practice may be revived, and the new issues advertised by means of vernacular posters put up at all public buildings in the districts. The use of vernacular figures on the body of the bonds would also be an attractive innovation.

294. We have referred above to the important part played by co-operative societies in promoting thrift and developing the habit of investment. Deposits with co-operative banks and societies serve the double purpose of encouraging savings and of making funds available for the finance and marketing of agricultural produce and for cottage industries. The following table gives information about the funds raised through various means by different types of societies on 31st March 1929 :—

	Deposits			
	Shares	Members	Non-Members	Total
	Rs.	Rs.	Rs.	Rs.
Agricultural Societies ..	23,00,263	76,94,559	43,25,534	1,43,20,356
Non-Agricultural Societies ..	84,75,619	1,73,49,674	54,55,706	3,12,80,999
Central and Provincial Banks ..	41,80,024	2,42,55,948		2,84,35,972

Few co-operative banks in this Presidency have introduced the system of home savings boxes. In Bombay City, there have been started in recent years some thrift societies, which do no other business than the collection and investment of the savings of members. The usefulness of co-operative banks in the promotion of the investment habit lies in this, that while deposits with a State savings bank are drawn away for being absorbed in its general resources, the co-operative organisation enables a productive use being made, in a local area, of the savings of the local community, and there is the further advantage that these operations are conducted by an agency responsible to the local organisation and enjoying direct touch with the people. We would, therefore, like co-operative societies and banks to explore all avenues for drawing to themselves the savings of the small man by offering attractive alternative plans for savings deposits, such as are promoted by the National Savings Associations in England. Village societies, when not in a position or not authorized to accept deposits from the general public, should, wherever possible, be encouraged to function as collecting agencies for their central banks.

295. Joint stock banks, including in this category the exchange banks, play an equally prominent role in the promotion of thrift, but their field of effort is limited practically to the metropolis and to the larger centres of population such as Ahmedabad, Karachi, Poona or Surat. Moreover, owing

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to the size of their operations they generally find it difficult to get into touch with persons of small means. If, within city limits, they open small branches they may be able to widen the field from which they attract capital. This Province contains some of the largest joint stock companies in India, formed for purposes other than banking, and the shares and debentures of some of these companies afford attractive investment. It is also the practice for several industrial concerns, especially textile mills, to receive fixed deposits from the general public and the sums so invested are substantial. We would note here that there is an obvious danger to depositors if such deposits are used for other than current purposes.

296. Several interesting suggestions were placed before us with a view to extending the facilities for investment of savings and for drawing out savings from different classes of the community. One of these was the issue by Government of premium bonds, which are a common feature of the borrowing schemes of the Government of France. A low rate of interest is offered on the bonds issued, but large prizes are awarded annually by lot, and the chance of securing a handsome prize attracts investors to lend money at a lower rate of interest than they would otherwise be prepared to accept. With the introduction of an element of speculation, the circle of investors is widened and the net cost is lower than Government would have to pay were they to borrow at the market rates. We do not, however, favour the issue of such bonds as we are of opinion that the idea of attaching prizes drawn by lot fosters the gambling instinct and is likely, in the long run, to affect adversely the development of habits of thrift and investment.

297. The formation of investment trusts was also suggested to us as a method of encouraging the investment habit and of enabling the small investor to derive from the available investments in the local and foreign markets those advantages which accrue at present only to individuals or corporations that can spread their investments over a wide field, and secure a high return by a judicious policy of averaging returns. These investment trusts have grown to a marked extent in England, Scotland and particularly in the United States of America. In England, co-operative investment trusts have been recently established, which, though open to all, are intended mainly for the small investor. The maximum shareholding is limited and the accounts are audited by public auditors appointed by the Treasury. These trusts meet very satisfactorily the needs of the small investor, who gets a good return on his savings and has the assurance that his capital will not depreciate in value. The basic principle of their working is that not more than 5 per cent. of their capital funds are invested in the capital or debenture stock of any single institution. Though, such investment trusts, if formed, would undoubtedly increase the scope for investment in India, we are not convinced that they are a practical proposition to-day, as the money-markets do not provide that variety of scope for investment which is essential to the successful working of a trust. It is true that foreign investments are open to a trust

constituted in India, but considering the present credit needs of the country itself we would deprecate any move which has the effect of diverting the flow of Indian capital for investment outside the country.

298. The object of life insurance is to teach individuals to practise thrift and to compel them to save periodically so as to provide for contingencies, such as old age or death. These small savings of individual investors are collected and held for safe and profitable investment in approved classes of undertakings. We may observe here that Bombay is the pioneer in the matter of insurance enterprise in India and possesses a large number of life insurance companies, some of which are very well established in the line and command substantial resources. Some of the life insurance companies issue policies for such small amounts as Rs. 250 but the benefit of even these small policies is confined mainly to towns and cities. There is a vast field for the spread of the operations of life insurance companies in rural areas and among the landed gentry. Government undertake through the post office to insure the lives of Government servants. In view of the existence of a large number of local life insurance companies and the willingness of these to undertake the insurance of persons of small means, we do not see any special need to extend the operations of the postal insurance system to persons other than Government servants.

299. Similar to insurance schemes in the matter of encouraging periodical savings are provident funds, started by public bodies and corporations for the benefit of their employees. The object of such funds is to provide the employees on their retirement or, on their death, their dependants with a fairly large sum of money. The system by which such a sum is accumulated is as follows : Each employee has to set aside a certain fixed percentage from his monthly pay. These compulsory savings are accumulated and at the close of the year the employers generally contribute an amount which bears a certain fixed proportion to the employee's contribution during the year. The whole sum together with the interest thereon is payable to the employee on his retirement or to his dependants, if he happens to die earlier. Provident funds started by Government and Railway administrations are governed by the Provident Funds Act of 1925, one important feature of which is that the compulsory deposit of a member of such a fund cannot be assigned or charged and is not liable to attachment under the order of any Court. A similar privilege is given by the Bombay Co-operative Societies' Act to the provident funds started by co-operative societies. The local Government have also the power to extend the provisions of the Provident Funds Act to local bodies within the meaning of the Local Authorities Loans Act of 1914. We have not been able to get figures about contributions to all the important provident funds. In some cases, the operations of such funds extend all over the country and it has not been possible to get statistics relating to this Province only. The following statement, however, giving information about membership and amounts

contributed to three of such funds during the last four years, will give some idea of the working of these funds :—

Year			Number of employees contributing to Provident Fund	Total amount contributed in Rupees
1925-26	..	..	19,643	16,90,862
1926-27	..	..	21,831	18,01,262
1927-28	..	..	23,011	19,00,662
1928-29	..	..	23,865	19,47,965

300. Owing to the needs of its industrial and commercial undertakings, Bombay has also interested itself in the work of general insurance and the leading Indian companies have their head offices in Bombay. These insurance companies are of recent growth, but as soon as they develop, we would wish these to turn their attention to the possibility of framing schemes for the insurance of cattle and crops. The need for such forms of insurance was emphasised by some witnesses, but in view of the experience of co-operative cattle insurance societies in other Indian provinces, we would not like any fresh schemes to be embarked upon, either by Government or by co-operative organisations, unless the actuarial aspects of the proposals are thoroughly investigated in a scientific manner. If such investigations prove that a scheme is practicable, Government should consider whether any State help is necessary in the initial stages to make it a success.

301. Non-Indian insurance companies compete with Indian companies in both fields of insurance, and especially in that of general insurance. As observed above, these Indian companies are of recent origin. Further, for the insurance of articles of import and export, the non-Indian companies enjoy, in a large measure, the patronage of the exchange banks. Whether there is any discrimination, is a question which may be examined by the Central Committee, as our terms of reference do not include the operations of exchange banks. There is, however, one aspect of the business of non-Indian insurance companies which has a vital bearing on the development of the banking resources of the country. These companies raise large funds in India on the insurances they effect, and these growing funds merge in the general resources of the companies at their various places of domicile. We have had no means of ascertaining what portion of these funds are permanently invested in India to the benefit of the national resources of the country. In any case, there is no obligation on any non-Indian company to invest a certain proportion of its funds in India, although we understand that Indian companies are subjected to such a restriction in a number of countries. In several countries, companies have to deposit a fixed amount before they can open business. In some, the deposit is increased according to the business secured in that country. In other countries they have, in addition, to invest a certain proportion of their income from premia in the securities of that country. In view of the credit needs of India herself, and the depletion caused in her banking resources by the withdrawal for

investment outside her borders of the premium income derived in the country we recommend that steps should be taken to secure by legislation that all non-Indian companies place some initial deposit with Government and also invest a certain percentage of their income from premia in India in approved Indian securities.*

Insurance companies have a dual role to fill. They have not only to collect the savings of the community and inculcate habits of thrift, but they have to develop a science of investment. By a judicious lay-out of their large resources they can render valuable assistance to public utility undertakings and to schemes of housing improvement, land mortgage credit and industrial finance, and prove good guides and supporters of Government and municipal bodies in their loan operations. We should very much wish to see the large and growing resources of Indian and non-Indian companies harnessed effectively to foster the development of agriculture and industries in India.

302. In England, the formation of the National Savings Committee has done much, during recent years, to educate public opinion in the value and importance of cultivating the habit of thrift and to popularize the various types of savings certificates available. There is a network of local associations which supply the driving force to this campaign. We believe that in this Province wider propaganda and local effort will be helpful in aiding the flow of savings to co-operative and other banks and in drawing out capital for investment in the post office savings banks and cash certificates. The bulk of the population, the agricultural classes, will, however, not be affected by any propaganda or facilities for savings so long as the majority of them are poor and remain in a state of perpetual indebtedness. Though the authorities of the post office have no records showing separately deposits made by agriculturists, the general impression is that the volume of these is negligible, except perhaps in a very few favourably situated tracts like Gujerat, where some large cultivators may have been able to save and invest. After the disposal of the season's crops, agriculturists have to meet the dues of Government or their landlords and to pay off the debts incurred for current needs as well as interest on and a moiety of the principal of previous debts. Out of the surplus, cultivators of the better type sometimes undertake expenditure on petty works of land improvement. In times of plenty and in tracts outside famine zones, they may have, for a couple of months, temporary surpluses with local *sowcars* and occasionally with co-operative societies, to be drawn upon very soon either for domestic requirements or for the current needs of agriculture. In Dharwar, our intensive inquiries show that the system of advancing

* Mr. Buckley regrets he cannot accept the recommendation that some deposit should be made by a non-Indian insurance company doing business in India, coupled with the reservation that a certain proportion of the premia received locally should not be remitted but should remain and be invested in Indian securities. He considers as not unreasonable the suggestion of an initial deposit to be made by any company desirous of doing insurance business here, provided the amount of such a deposit is not unduly onerous, but feels that any attempt to legislate that a portion of the premia funds must remain in India is unsound, ill-advised, and not in the interests of the country.

even small amounts to fellow-agriculturists is fairly common. The purchase of a few trinkets for the women is universal. When large surpluses accrue, as they did during the period of high prices, purchase of land is a favourite method of utilizing these. Such purchases are often uneconomic and tend to inflate the value of land. This form of investment, however, is very popular among men who wish to leave to their sons some land which they can cultivate or lease, since land offers practically the only form of productive employment for the bulk of the population and is an unfailing source of credit. The trend of the evidence, both of official and non-official, was that investment in gold and silver had gone down in volume and had, in some districts, become almost impossible, owing to changed economic conditions. We believe the extent of hoarding in precious metals has been exaggerated, as the *per capita* holding of gold and silver is small in value. In defence of this investment, it was urged that these were the most dependable forms in which the agriculturists had learnt by tradition to maintain their savings to serve as emergency resource, providing as they do a ready means of securing credit.

It has been represented to us that the habit of hoarding and development of banking are closely bound up with the confidence which the national systems of currency can inspire in the public mind, and particularly so in India. It is stated that since the metallic and paper currency in India is not convertible into gold coins people are tempted to hoard the precious metals to secure a ready supply of gold. It is urged by some commercial bodies and other institutions that the saving and banking habit will not be developed unless the country has a full gold standard and gold currency. As this subject lies outside our purview we cannot discuss it here.*

We are, however, of opinion that whatever so-called hoards may be in existence among the rich landed proprietors or the rural trading and money-lending classes can be mobilised for the enrichment of the national resources by introducing a system of gold certificates, repayable in gold, at the option of the holder. As pointed out by the Hilton Young Commission, the offer of such certificates would constitute a powerful incentive to investment and a powerful antidote to hoarding. As soon as it has been established by experience as a certainty that gold is always forthcoming for the certificates on maturity, it is to be expected that there will be a gradual replacement of hoards by certificates. Another way of economising the precious metals is the expansion of paper currency, and to promote its wider use we recommend the re-issue of the one Rupee currency note, printed on paper of good quality.

303. The evidence we have received all over the Province goes to show that with the opening of new banks in different parts, the gradual education of the people in banking habits, and particularly as a result of

GROWTH OF THE
CHEQUE HABIT.

* Professor Kale, Mr. V. L. Mehta and Mr. Chikodi think that the connection between the country's currency system and the subject of hoarding and banking ought to have been prominently brought out, and that it should have been recommended to the Central Committee or Government to consider this aspect of the problem of banking development in India.

the abolition of the stamp duty of one anna on cheques, the use of cheques has grown considerably during the last few years. In the year 1914-15, the value of cheques cleared through the clearing houses at Bombay and Karachi amounted to Rs. 169 crores. In 1918-19, the figure had grown to Rs. 592 crores; in the year 1924-25, it was Rs. 668 crores and in the year 1928-29 it was Rs. 680 crores. As stated in Chapter X, the removal of the stamp duty on cheques appears to have given a great impetus to the use of cheques. It has been the experience of bankers that the removal of the duty has led to an increased use of this negotiable instrument, the increase in the number of cheques estimated in the case of the Indian joint stock banks being nearly 30 per cent. But the effect of the abolition of the duty has been felt principally in the *mofussil*, and particularly in the case of men with small accounts who naturally resort to small banks or to branches of the Imperial Bank of India. The figures of co-operative banks too prove conclusively that there has been an increase both in the number of new accounts opened and in the number of cheques issued. The removal of the duty has had the effect of inducing the opening of accounts by the trading classes and by indigenous bankers, who resented the payment of one anna every time they had to draw funds from their accounts. At all places where there was in existence some banking organisation, we found a growing and gradual tendency among the commercial and banking communities to open current accounts with banks, particularly with a view to using these for collection of cheques from other centres or for making remittances to such centres. Such extension of the use of the cheque can be encouraged by charging, as the Imperial Bank of India did till very recently, low rates of exchange on upcountry cheques; and from this point of view we regret that this policy should, while our inquiry was in progress, have undergone a change. The levy of higher rates may be justifiable from the Bank's own point of view, but it will have the undoubted effect of discouraging the wider use of the cheque as a means of settling accounts. We have already referred to this matter in Chapter X and have suggested the continuance of the concession in a modified form.

304. The use of cheques among the agricultural classes in several places is practically unknown, though lately with the opening of branches of the Provincial and other co-operative banks the cheque as an instrument of credit is well understood and used by members of village societies in certain parts of the districts of Satara, West Khandesh, Poona, Surat and Broach. The extension of the use of cheques among the agricultural classes in these districts has been rendered possible by the banks concerned adopting the policy of accepting cheques drawn, signed, and endorsed in the vernaculars, and of issuing vernacular cheque books and pass-books. The use of the local vernacular has also been accepted by joint stock banks in Ahmedabad, and is gradually coming into vogue in Bombay. We find, however, that the banks sometimes require account holders, unable to write English, to sign cheques in the vernacular in advance, in the presence of bank officials, it being

USE OF VERNACULAR SCRIPTS.

left to the former to fill in blanks as regards date, name and amount as necessity may arise. Where this procedure is followed, the customer is generally asked to indemnify the bank against the loss that it may be put to owing to the negligence of the customer in taking care of such cheques. Such restrictions on the use of the vernacular script, involving as they do serious risk and inconvenience to the depositor, must cause great hardship and must retard the progress of banking. We are of opinion that the example set by banks which have recognised vernacular signatures and endorsements and which do not appear to have incurred any loss on that account should be followed by the other banks. It has been suggested to us that, if a customer so desires, pass-books should also be maintained in the vernacular. This will mean additional trouble and expense, but the increase in business that may be hoped for in consequence will perhaps more than repay the additional cost.

Even if the use of the local vernaculars is accepted freely by all banks, the absence of any knowledge of letters operates as a serious bar to the spread of the cheque habit among the bulk of the population who are illiterate. The resort to thumb impressions raises additional complications, the only solution of which will be found in the general diffusion of education among all sections of the community. A further difficulty in the way of the popularity of the cheque in India is that the procedure of passing it for payment is dilatory and the process of encashment takes much longer than it does, for instance, in England. We have tried to examine the reasons for this complaint, but besides suggesting to the banks the desirability of simplifying their procedure, the only remedy we can recommend is the opening of a number of branches, in a large city like Bombay, which will reduce the rush of business and enable ledger-keepers to deal with customers more expeditiously. Another facility that can be given by banks is to keep their current accounts department open for receipts and payments at such hours in the morning or evening as may be convenient for their customers who find it difficult to attend during the regular business hours of the bank.

305. We recommend joint stock and co-operative banks having savings bank accounts to adopt the practice of allowing savings accounts to be drawn upon by cheques, as proposed in the case of savings banks accounts earlier in the chapter. The salaried and the professional classes prefer savings bank to current accounts, and they will be induced to use cheque currency only if payments through that medium are acceptable for operations on their savings bank accounts. Payment of salaries to the employees of Government, public bodies and large corporations by means of cheques will be useful in promoting the cheque system only in so far as such employees are induced to have banking accounts of their own.

306. One way of encouraging the use of cheques by the rural classes is for Government to accept freely payments of Government dues through the medium of cheques at all treasuries. Under a recent notification, such payments are accepted at treasuries which are managed

CHEQUES ON SAVINGS
BANKS ACCOUNTS.

ACCEPTANCE OF
CHEQUES IN PAYMENT
OF LAND REVENUE.

by branches of the Imperial Bank of India. The number of such branches is, however, limited, and the branches are usually situated at district headquarters. Agriculturists who frequently resort to the *taluka* headquarters on business do not find it convenient to go long distances to make payments at branches of the Imperial Bank of India in central towns, but can easily do so at sub-treasuries in their own *talukas*. We were assured by several experienced treasury officers that no administrative difficulties would be caused by the acceptance of such cheques, subject to the credit of amounts after collection. We suggest, therefore, that the present facilities should be extended to all *taluka* sub-treasuries and district treasuries.

307. We shall deal now with the part played by the Imperial Bank of India in promoting banking development in the Province. It is difficult to assess its importance properly in the absence of information regarding the operations of the Bank at its various branches. We have received some information relating to the working of the Bank in the Province as a whole, but the statistical material about the operations at branches which we had asked for has not been supplied to us. The lack of this information has also prevented us from verifying from statistical data the statements made by witnesses in several parts of the Province regarding the Bank's operations.

SHARE OF IMPERIAL BANK OF INDIA IN DEVELOPMENT OF BANKING.

The branches of the Imperial Bank of India in the Province now number 23 as against 12 when the amalgamation of the Presidency Banks took place. In our view, the effect of the policy of Government in asking the Bank to open the branches has enabled it to render an important service to the community. As a State-aided institution, the Bank has a practical monopoly in the use of the funds of public or quasi-public undertakings, of institutions conducted or controlled by Government, the security deposits of Government contractors, or the balances of the estates of minors administered under the Court of Wards Act. In addition, the branches attract deposits from other classes of the community, and the general impression at all centres we visited was that the local branches were very successful indeed from the point of view of raising local capital, owing to the stability afforded by the Bank's close association with Government. At most of these centres, the expression of this view was coupled with the complaint that the bulk of the capital so raised was not made available locally. To the larger issues arising from this policy we refer in Chapter VIII. The only general suggestion we can make at this place is that the local agents of the Bank may, subject to the restrictions of the Act and to superintendence by the Head Office, be allowed some wider discretion in the grant of advances than they now enjoy. They should be thoroughly familiar with the language of the district and make every effort to come into contact with the commercial community of the place. The progressive development of local channels of investment should be looked upon as one of the most essential duties of the agents. With a view to establishing regular touch with their local clientele, we have suggested the constitution of advisory committees as an experimental measure in a few selected

centres. The committees will be of assistance in providing points of contact between the Bank and local banking, trade and industries. At present, indigenous bankers and local traders are shy and hesitate to apply to the local branches of the Bank for financial accommodation as they are not sure about the treatment that would be accorded to their demands. The methods we suggest will, we believe, be helpful in bridging the gulf that now separates the Bank's branches from those who stand in need of credit.

The other valuable service rendered by the new branches of the Imperial Bank is the accommodation offered in the *mofussil* at low rates of interest, thus bringing down the incidence of interest charges for local trade. A similar service is the provision of remittance facilities on cheap terms, thereby assisting in the easy flow of money from the provincial headquarters to the *mofussil* and *vice versa*. But both these services would be dearly bought if a joint stock corporation enjoying State patronage used its resources to compete on unfair terms with local banking agencies, indigenous, joint stock or co-operative.

While on this subject, we should like to dwell on some of the other aspects of the working of the Imperial Bank of India. The system of making advances by discounting usance bills has not been developed to any considerable extent at any of the branches of the Bank with the exception of the branch at Sukkur, but the arrangements for advances against pledge of agricultural produce or other commodities and against deposit of gold are, we were able to ascertain, gradually growing in favour with local customers even at new branches. Very little has been done by the Bank to develop local industries, but facilities are available for financing internal trade and are being availed of, particularly by the larger trading firms, gin-owners, and business houses having connections with Bombay. It can hardly be said, as observed above, that regular connections have been established with local indigenous bankers, and the suggestions made to forge or strengthen links between the two agencies are examined in our chapter on "Indigenous Bankers."

Mention was made by certain witnesses of the fact that some of the branches of the Imperial Bank of India were not remunerative. Even if this statement were correct, it is no argument against a Bank standing in the position of the Imperial Bank of India continuing to maintain such branches when necessary in the general interests of the community. Some important commercial bodies alleged that the manner in which the branches were being staffed was too costly to render the opening of more branches a paying proposition. In the chapter on "Indigenous Bankers" we have dealt with the proposal placed before us that the Imperial Bank of India should utilize the agency of indigenous bankers for developing banking in centres not served hitherto by its branches; but we should like to emphasize here the need for Indianization of the staff in charge of branches, both with a view to reducing the cost of management and providing a personnel that understands the language and is conversant with the life and habits of the people among whom business has to be conducted. We hope that the authorities of the

Bank will now embark upon a vigorous policy of Indianization in the near future, particularly in promoting Indians to higher and more responsible positions.

We have referred above to the complaints that we received about the neglect by the Imperial Bank of India of local channels for investment and the concentration of resources at the local Head Office. But even in Bombay city there is a general feeling among commercial and industrial circles that credit facilities have lately been curtailed by the Bank.

The following figures taken from the statement supplied by the Bank show that the advances by way of loans and cash credits have gone down considerably during the last five years at the Bombay Presidency. It may be that the shrinkage in business is due to the fall in prices and general trade and industrial depression, or it may be due to a change in the policy of the Bank. The reduction in business is, however, so large that we consider it is a question which may be usefully discussed by the Central Committee with the authorities of the Bank.

	1925	1926	1927	1928	1929
	<i>(Figures in thousands of rupees.)</i>				
Loans and cash credits outstanding at the end of the year	17,15,88	12,22,46	16,10,00	12,10,97	9,43,86
Amount of overdrafts on current account as on 31st December	1,04,75	69,79	90,50	86,64	1,10,76
Total amount of Inland Bills and Bills discounted during the year	9,66,14	8,23,87	9,35,93	10,98,11	7,35,88

While in Madras and the Punjab, the local Indian joint stock banks have opened a fairly large number of branches, the joint stock banks in Bombay have not shown similar enterprise. Karachi, Ahmedabad, Poona are the only places where there are branches of the larger joint stock banks. It is doubtful if the very small centres can be reached by joint stock banks, as the local business which is mainly agricultural finance does not suit them. The only banking organisations possible are small urban and central co-operative banks or their branches. But in small centres contiguous to places where there are regular branches, joint stock banks as well as the Imperial Bank of India and co-operative banks may well adopt the system of having part-time branches working two or three days in the week, and city branches working a few hours on pay days, all these to be looked after by peripatetic agents who are always on the move. This system has worked satisfactorily in rural areas in England and may be found helpful in this Province in developing deposit banking through a network of branches of the larger banks.

CHAPTER XVII.

Conclusions and Summary of Recommendations.

308. We were charged with an inquiry into the existing conditions of banking in the Province and to consider what steps, if any, were desirable and feasible for the improvement of agricultural credit and credit facilities for small industries, for the growth of investment habit and attraction of capital and for the development of indigenous banking. In the preceding chapters we have embodied the results of our inquiry under each head and our suggestions and recommendations for the improvement of the existing conditions. In this chapter we propose to give a summary of our conclusions and recommendations, but before we do so we should like to emphasize the opinion expressed by us in the Introductory Chapter that in order that any improvement in the existing credit system and banking facilities might be effective it should be accompanied by measures for raising the standard of living and economic condition of the mass of the population and for building up its productive strength.

Introductory.

1. The first preliminary to any reform in the economic and banking organisation of the Province is to collect accurate and reliable data. With a view to making an organised effort for the collection, collation and interpretation of economic data, a Board of Economic Enquiry should be set up as early as possible.

Chapters II and III.

These chapters are descriptive.

Chapter IV.

2. The total agricultural debt of the whole Province is estimated at Rs. 81 crores. (Paragraph 49.)

3. The debt works out at fifteen times the total land assessment and at Rs. 26 and Rs. 20 per net cropped acre and cultivated acre, respectively. (Paragraph 50.)

4. The total debt forms about 53 per cent. of the average value of the total agricultural produce of the Province and is nearly two and a half times the annual cash requirements for agricultural operations. (Paragraph 50.)

5. The average debt per family comes to Rs. 329. The percentage of families free from debt is 13 in Sind, 21 in North Gujerat, 23 in South Gujerat and 29 in the Konkan. (Paragraphs 50 and 54.)

6. Amongst the causes of indebtedness may be mentioned, unsatisfactory economic condition, ancestral debts, improvidence, purchase of land at heavy prices and taking up leases of land at high rentals. (Paragraphs 55 to 59.)

7. Amongst the main purposes of borrowing are current agricultural needs, domestic requirements, marriages and other ceremonies, and litigation. (Paragraph 59.)

8. Reliable statistics about the transfer of land from agriculturists to non-agriculturists are not forthcoming but the figures so far as they are available indicate a tendency for lands to pass from the hands of agriculturists to those of non-agriculturists. (Paragraph 60.)

9. A large portion of debt is taken for unproductive purposes. (Paragraph 63.)

10. The sources of loans are money-lenders (both professional and agricultural), co-operative societies, Government (*tagavi*), landlords and commission agents. (Paragraphs 64 to 66.)

11. The rates of interest vary from tract to tract, the usual rate being 12 per cent. in South Gujerat, 36 per cent. in Sind. (Paragraph 68.)

12. Small loans are given on personal security. Loans for larger amounts or for long periods are given on security of land. (Paragraph 69.)

13. In all schemes of debt redemption, it is essential to make a very careful inquiry into the character of the borrower and his income and ability to repay, and to fix the instalments in such a way as to enable him to make repayment out of his surplus income. (Paragraph 71.)

14. It would be better for the agriculturist debtor in many cases to dispose of a part of his land and free himself at once from debt rather than to incur a fresh debt to repay an old one. (Paragraph 71.)

Chapter V.

15. The number of people who have to borrow for their current needs is large. The percentage varies from 66 in Broach to 94 in Sind. (Paragraph 74.)

16. In dry tracts, not much capital is required to finance the current needs of the agriculturist, while large amounts are required in canal tracts, sugarcane growers requiring as much as Rs. 600 to 700 per acre. (Paragraph 75.)

17. The total annual credit requirements of the agriculturists of the whole Province are estimated at Rs. 32½ crores. (Paragraph 76.)

18. The sources of borrowing are the *sowcar*, the co-operative society, the agriculturist money-lender, the landlord, the merchant, friends and relatives and Government (*tagavi*). (Paragraphs 77 to 84.)

19. The rate of interest on Government *tagavi* is 6·75 per cent. The usual rate of interest charged by co-operative societies is 10½ per cent., while the *sowcar*'s rate varies from 9 to 36 per cent. (Paragraph 85.)

20. Personal security is accepted generally for loans for current needs. (Paragraph 86.)

21. A serious defect of the present system is the want of co-ordination amongst the various lending agencies. (Paragraph 88.)

22. The defects of the *sowcar* system are the unregulated character of the financial dealings and the complete dependence of the illiterate borrower on the *sowcar*. (Paragraph 88.)

23. The defects of the *tagavi* system are the protracted period of the preliminary inquiry and the leakage to which the loans are at times subject. (Paragraph 88.)

24. The defects of the co-operative system are delay in the disposal of applications and the inadequacy of finance. (Paragraph 88.)

25. While there is considerable room for making credit easier than at present, facile credit is no panacea for the ills the agriculturist is suffering from. (Paragraph 89.)

26. Unless the borrower is educated and understands the economic value of credit and exercises judgment and prudence in its use, no system of finance will be of any appreciable benefit to him. (Paragraph 90.)

27. The opinion of the Royal Commission on Agriculture that "in Co-operation lies the salvation of the rural classes of India" is endorsed. (Paragraph 91.)

28. In order that the *sowcar* may offer better conditions the hindrances placed in his ways by law and legal procedure should be removed. (Paragraph 92.)

29. Government advances *tagavi* at present only in times of famine or distress and ordinarily in famine and backward tracts. The *tagavi* policy should be liberalised, and, besides the tracts mentioned above, Government should advance *tagavi* in places where the co-operative movement has not made much progress. (Paragraph 93.)

30. The Government of India should place at the disposal of the local Government a part of the money raised through post office saving banks, for being advanced to co-operative societies, or as *tagavi* to individuals, at a rate of interest not much higher than that allowed to the depositor. (Paragraph 94.)

31. It would be to the interests of everybody concerned if some kind of co-ordination can be arranged between the *sowcar* and the co-operative societies. (Paragraph 94.)

32. In famine tracts, some amount out of the *tagavi* grant or from the Famine Insurance Fund should be placed at the disposal of the co-operative societies for being advanced to suitable agriculturists; and finance should be arranged for a cycle of years consisting of a normal period of good, bad and indifferent years. (Paragraph 95.)

33. In such areas, the question is not merely one of finance. What is needed is the conservation of moisture by dry farming and other land improvement. (Paragraph 95.)

34. In the canal tracts of the Deccan, the situation is becoming serious owing to rise in cost of cultivation and fall in price of sugarcane. It is essential that the repayment of the outstandings should be spread over a number of years and that the Provincial Bank should give the necessary instalments for the purpose. For the bigger cultivators, a land mortgage bank should be started to supply current finance, while for the smaller ones ordinary co-operative societies should continue to make the necessary advances. (Paragraph 96.)

35. In the case of aboriginal tracts, the only two practical remedies are the spread of co-operative societies on the lines followed in the Panch Mahals district and the grant of *tagavi* loans by Government. In either case, a special staff will be necessary to supervise and conduct the operations. (Paragraph 97.)

36. In Sind, for big *zemindars*, co-operative *zemindari* banks would be the best means of finance not only for current agricultural purposes but also for land improvement and redemption of debts. (Paragraph 98.)

37. As for the *hari*, either the *zemindar* must undertake to finance him or he should get finance from the co-operative society, his *zemindar* standing surety for him. (Paragraph 99.)

Chapter VI.

38. Government should maintain separate accounts in every district for the loans advanced under the Agriculturists' Loans Act and the Land Improvement Loans Act. (Paragraph 106.)

39. A definite policy should be adopted in all districts, especially those liable to drought, to use the machinery of the Land Improvement Loans Act for agricultural improvement and famine protection, as is being done at present in Bijapur. (Paragraph 107.)

40. The scheme of advances under the Land Improvement Loans Act through the agency of the co-operative movement has been only partially successful. In order to make it more successful, it is suggested that, in each district, where co-operation has made progress, there should be some officer of the Co-operative Department, who has undergone training in the elements of agriculture and engineering practice, to examine the applications and also to watch over the proper use of the advances made. Where there are *taluka* development associations with a qualified staff, the services of the staff should be utilised by the Co-operative Department for this purpose. (Paragraphs 108-9.)

41. An investigation should be made in every district, into the natural sources available for protection of land from famine. Active propaganda should be undertaken in all districts to place before the agricultural population the advantages of going in for land improvement, the schemes of land improvement capable of being undertaken in various tracts and the facilities that are available for long-term credit. (Paragraph 109.)

42. Three co-operative land mortgage societies have been started in the Province. Government may now consider whether they should not permit the formation of more co-operative land mortgage associations in different parts of the Province without awaiting the results of the work of the three societies. (Paragraph 115.)

43. The arrangement of lending the services of a Government officer, for the systematic valuation of land, to land mortgage societies seems, on the whole, to be the most suitable in the existing circumstances. (Paragraph 115.)

44. In respect of valuation and grant of loans, control must, in the present circumstances, be centralised. (Paragraph 115.)

45. Under the existing arrangements, no portion of the margin between the borrowing and lending rates is available to the local land mortgage societies. Whether a fixed share of the profit should not be given to them is a question worthy of consideration. (Paragraph 115.)

46. Government, after comparison of the results of the working of the existing societies, may decide what should be the area of operations of such societies in future. (Paragraph 115.)

47. Government should actively assist in starting a central land mortgage bank. (Paragraph 116.)

48. The bank should be registered under the Co-operative Societies Act. (Paragraph 116.)

49. The bank should be allowed to issue debentures to the extent of twenty times the paid-up capital. Government should take up the unsubscribed portion of the share capital and guarantee both the principal and the interest on the debentures and should undertake to take up a portion of them. (Paragraph 116.)

50. Debentures of the central land mortgage bank should rank as trustee securities under the Indian Trusts Act. (Paragraph 116.)

51. A separate land mortgage bank should be organised for Sind. If this is not feasible, the central bank for the Presidency should open a branch in Sind. (Paragraph 117.)

52. The central land mortgage bank should establish contact with the special agency for minor irrigation works and utilise its services for the extension of irrigation. (Paragraph 118.)

53. We foresee a time, though not in the near future, when the *tagari* operations of Government under the Land Improvement Loans Act will be gradually absorbed in the land mortgage system. When this happens some mutual arrangement between Government and the bank will have to be made for the grant of suspensions and remissions. The grant of subsidies may provide a solution of this problem when the question is eventually settled. (Paragraph 118.)

54. The grant of the power of foreclosure to land mortgage organisations is not recommended. (Paragraph 119.)

55. Though it is not necessary to prohibit joint stock associations from making advances to agriculturists on the security of the mortgage of land, under any banking legislation that is undertaken provision should be made for regulating the work of banks desirous of entering the field of agricultural land mortgage credit. (Paragraph 120.)

Chapter VII.

56. For the improvement of marketing better means of communication and methods of transport are necessary. Difficulties about good and sufficient roads are serious in Sind and also, to some extent, in Gujérat. (Paragraph 139.)

57. The question of giving to producers representation on the Board of the East India Cotton Association deserves consideration. (Paragraph 141.)

58. Early provincial legislation seems necessary for standardisation of weights and measures. (Paragraph 145.)

59. Co-operative sale societies in this Province give promise of successful development. The suggestion to empower such societies to compel their members to sell their produce through them is not approved. (Paragraph 149.)

60. Co-operative sale societies should be given facilities for the construction of godowns in the shape of loans, at easy rates of interest, to be repaid by 10 or 20 annual instalments. (Paragraph 149.)

61. The Bombay Cotton Markets Act deserves to be applied to important centres of the Province at an early date. (Paragraph 150.)

62. Regulated markets should be established also for agricultural produce other than cotton. (Paragraph 150.)

63. Licensed warehouses should be introduced in a few important centres to begin with. Railway administrations may be asked to construct such warehouses at selected railway stations. It may be possible for local bodies and other organisations in some of the important centres to construct and maintain such warehouses. (Paragraph 151.)

64. The agricultural producer does not, as a rule, require much finance for marketing. For those agriculturists who wish to hold their produce, facilities for finance are at present very inadequate. The best way of providing the necessary finance would be through co-operative sale organisations. (Paragraph 152.)

65. Middlemen suffer considerably for want of finance on easy terms. Their needs may be met adequately by the co-operative urban bank or by indigenous bankers, if these are appointed agents of the central banking institution as suggested by us in Chapter XIII. (Paragraph 152.)

66. In the *mofussil*, the question of banks changing their business hours during the busy season to suit the convenience of trade deserves consideration. (Paragraph 152.)

67. For external trade, finance is supplied mainly by exchange banks. (Paragraph 153.)

68. Complaints of Indian firms of standing that they do not get facilities from exchange banks or even from the ordinary joint stock banks for external trade deserve to be examined by the Central Banking Enquiry Committee. (Paragraph 153.)

69. Banking, adequately developed and organised, would prevent avoidable movement of money in the *mofussil*. (Paragraph 155.)

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Chapter VIII.

70. Better warehousing facilities should be provided at important centres and there should be an organised credit system suited to the requirements of small traders. (Paragraphs 162-163.)

71. There should be licensed warehouses in the interior of the country, warrants of which could be freely transferred and made over to banks as collateral security for loans. (Paragraph 162.)

72. It should be the policy of the central banking institution of the country to see that funds collected in different provinces are distributed according to the needs of each. (Paragraph 164.)

73. In order that such a policy is duly followed statistics regarding total deposits received and total advances made by the different banks in different areas should be collected and, if possible, published. (Paragraph 164.)

74. The requirements of small traders and artisans are at present met to a certain extent by co-operative societies. Such credit by the co-operative institutions should be developed. (Paragraph 166.)

75. The suggestion to have pawnshops run by Government, co-operative societies, or pawn-broking companies is not approved. (Paragraph 167.)

76. The hire-purchase system should be extended to urban and rural areas, provided it does not result in the creation of a multiplicity of hire-purchase institutions giving facile credit on a profuse scale. (Paragraph 168.)

Chapter IX.

77. For a large number of cultivators there is no work on the fields for at least two to four months. The problem is twofold: (1) there should be suitable secondary occupations which the agriculturist can take up during the spare time at his disposal without having to give up cultivation and (2) there should be industries in which a portion of the population that cannot be supported by agriculture may find employment. (Paragraph 169.)

78. The independent weaver and *karkhandar* require loans on easy terms for purchase of raw material and for working expenses during the period of production against the security of finished products. (Paragraph 171.)

79. Introduction of improved appliances and methods and marketing facilities are also necessary. (Paragraph 171.)

80. District industrial associations should be started to provide to the weaver cheap raw material and marketing facilities and to undertake the work of education and propaganda in close co-operation with the Department of Industries. Such associations should be tentatively started on a co-operative basis in three or four important centres. Funds may in the initial stages be supplied by members and may be supplemented by loans from central banks or Government and also by grants-in-aid. (Paragraph 171.)

81. With a view to insuring co-ordination of effort and efficiency the weavers' co-operative societies should be affiliated to such associations. (Paragraph 171.)

82. The gold and silver thread industry should be thoroughly re-organised on modern lines. The problem of marketing can be solved by the industry itself, forming associations on the lines suggested above. The Department of Industries should undertake educative propaganda by opening demonstration factories and the trade commissioners abroad should furnish necessary information about foreign markets. (Paragraph 172.)

83. There should be co-operative industrial banks to furnish cheap finance to industries such as the brass and copper vessel industry. Where there is no such bank, the co-operative urban bank should provide the necessary accommodation. (Paragraph 173.)

84. In any scheme for the development of the small industries the question of opening up new markets for manufactured goods should be placed in the forefront. (Paragraph 173.)

85. Teaching of weaving as a secondary industry deserves encouragement and it is necessary that its introduction should be tried on a larger scale than at present. (Paragraph 174.)

86. Knowledge of dairying, particularly of the proper methods for preserving milk, and the best way of packing and preserving it should be widely disseminated in the vernaculars. Cheap transport, a rapid service, and easy means of communication should also be provided. Facilities for grazing for dry cattle round about towns should also be given. (Paragraph 174.)

87. The Department of Industries should conduct inquiries into the possibilities of subsidiary occupations suited to local conditions, climate, position and tastes. Such inquiries might be followed up by practical demonstrations of the advantages of selected industries. Enterprising people might then be financed by banks at moderate rates of interest, and technical knowledge and guidance might be placed at their disposal by officers of either the financing bank or the Department of Industries. (Paragraph 174.)

88. To emancipate the artisan from the thralldom of usury the activities of the co-operative movement should be increased. (Paragraph 175.)

89. A scheme should be formulated for starting an industrial bank for the Province which may have branches wherever necessary. Considering the important place which such a bank would fill in the banking system of the country, it should receive some measure of State aid. (Paragraph 177.)

90. Smaller industries should be financed by the branches of the proposed industrial bank. (Paragraph 177.)

91. Until industrial banking plays its part in the industrial regeneration of the country, it should be the policy of Government to render all possible financial assistance in fostering new and existing industries which hold out reasonable prospects of success and which are likely to assist in the economic development of the country. (Paragraph 177.)

92. Facilities should also be given at State expense for research into processes of production and methods of organisation. Some form of State-aid should be given to cottage industries also. (Paragraph 177.)

93. There should be an Act for State-aid to industries so that the policy of assisting industries might be pursued more systematically than at present. (Paragraph 177.)

94. Government should enunciate and adopt a progressive industrial policy and provide a well-equipped agency to give effect to such a policy. It should not only carry out a comprehensive system of State-aid to industries but also undertake supervision work to see that the assistance given to the industry is used for the purpose for which it was given. (Paragraph 177.)

95. The Department of Industries should be endowed with sufficient resources, charged with definite functions and invested with authority to carry out the industrial policy of Government. (Paragraph 177.)

96. There should be close co-operation between the Department of Industries, the Department of Agriculture and the co-operative movement, particularly in regard to the development of industries allied or supplemental to agriculture. (Paragraph 177.)

Chapter X.

97. To encourage co-operative banks in their work of inland exchange business, the facilities for free remittance transfer, recently reduced, should be restored in places where no adequate facilities for remittance are available at present. At places served by the branches of the Imperial Bank and other banks, co-operative banks should be allowed to transact remittance business and the facilities ordinarily given to the public should not be withdrawn from them. At other centres free remittance facilities should be made available within limits. (Paragraph 186.)

98. The co-operative banks should also be given the facilities of getting funds by the sale of drafts on the apex bank at district and *taluka* treasuries free of charge. (Paragraph 186.)

99. The existing facilities for supply bills should be extended. The minimum limit for the issue of these bills should be reduced from Rs. 1,000 to Rs. 500. The existing charges for such bills should also be reduced and the restrictions that the bills should be drawn in even sums of hundred rupees should be removed. Publicity work should be undertaken to apprise the public of the facilities available at the treasuries for purposes of remittance. (Paragraph 187.)

100. The Imperial Bank should give increased facilities for remittance and suggest ways and means to Government of giving facilities to joint stock banks, co-operative banks, indigenous bankers and the public generally through its own local offices and branches and their treasuries and sub-treasuries. (Paragraph 187.)

101. The Post Office should reduce its rates for money orders and insured letters. (Paragraph 188.)

102. Cheques should be accepted in payment of land revenue, local rates and taxes. The procedure of banks for encashment of cheques should be modified so as to expedite payments on account of cheques. (Paragraph 191.)

103. The Negotiable Instruments Act should be amended so as to provide that negotiable instruments including cheques and bills of exchange, which are expressed on the face of them as drawn to bearer, shall not, despite any endorsement, lose their character as bearer instruments. (Paragraph 192.)

104. The Federation of Indian Chambers of Commerce and Industry should be asked to consider the question of the desirability of standardising the varying usages governing *hundi* transactions with a view to arriving at a solution of the problem in consultation with the associations concerned. (Paragraph 195.)

105. The stamp duty on *mudati hundis* should be abolished. (Paragraph 196.)

106. Other means of popularising dealings in *hundis* are suggested. (Paragraph 197.)

107. The Imperial Bank should take steps to remove the impression that with the exception of the *multani shroffs* indigenous bankers do not get from the Bank facilities which they should receive as bankers. (Paragraph 198.)

108. Co-operative banks and indigenous bankers should be encouraged to do *hundi* business in the *mofussil* and they should be appointed, if it can be arranged, agents of the Imperial Bank. (Paragraph 199.)

109. With a view to reducing the amount of frozen capital in business introduction of trade acceptance credit is desirable. (Paragraph 200.)

110. The protection given under Section 85 of the Negotiable Instruments Act to banks in respect of forged endorsements on cheques should be extended to drafts drawn by one branch of the bank on another or on the head office. The procedure laid down in respect of cheques should be accepted in respect of demand *hundis* also. (Paragraph 201.)

Chapter XI.

111. The number of persons depending on agriculture who have come within the fold of the rural credit movement is 10·7 per cent. of the total agricultural population of the Province. (Paragraph 206.)

112. It is essential that the question of proper selection of members should be borne in mind by those responsible for management or supervision of primary societies. (Paragraph 208.)

113. Membership of such societies should not become unwieldy. (Paragraph 208.)

114. Attempts must be made to teach every member of co-operative societies not only his rights and privileges but also his duties and responsibilities. This work should be undertaken by the Provincial Co-operative Institute assisted by the trained staff of the Co-operative Department. The co-operative movement has a claim on the resources of Government for expenditure on such education. (Paragraph 209.)

115. A proper and timely preparation of normal credit statements by primary societies is necessary. Every central bank should take special care to see that this is done. (Paragraph 210.)

116. Special limits of loans are being fixed in the case of suitable members of primary societies where ordinary limits are not sufficiently high. Such limits should be fixed for a period of three years. (Paragraph 211.)

117. Loans to individual members should be advanced as far as possible in instalments and not in lump. (Paragraph 212.)

118. In the bye-laws as well as in the accounts of the societies, short-term, intermediate and long-term loans should be clearly distinguished. (Paragraph 213.)

119. Separate societies should be organised for big landholders in the Presidency proper as is being done in Sind, wherever there is a large number of such landholders. (Paragraph 214.)

120. Great care is necessary as regards selection and training of supervisors engaged by supervising unions. Selection should be subject to the approval of the district federation of unions, wherever such exist. (Paragraph 215.)

121. Banks may advance loans to primary societies to finance good members only, even when others have defaulted. In the present state of development it is not necessary to enforce the principle of corporate responsibility too rigidly. (Paragraph 216.)

122. Before cancelling a mismanaged society, the union should have the authority, with the consent of the Registrar, to suspend a society and to entrust its management to a suitable person or persons for a definite period, not exceeding two years. (Paragraph 217.)

123. The Co-operative Department has been following a policy of consolidation and improvement rather than of expansion during the last few years. It is necessary now that, with all the ordinary safeguards, more societies should be organised wherever the ground is ready for them. (Paragraph 218.)

124. Share system would be a better method for encouraging thrift than compulsory deposits. The need for voluntary fixed deposits will, however, remain and members should be encouraged to make such deposits. (Paragraph 219.)

125. Efforts may be made to introduce savings deposit system in all well-managed primary societies. (Paragraph 219.)

126. A federation of urban banks should be organised in each of the linguistic divisions of the Province. (Paragraph 221.)

127. Co-operative urban banks should not be allowed to finance joint stock concerns. The needs of such concerns can be met more appropriately by industrial banks. (Paragraph 221.)

128. Urban banks may be allowed to finance bigger men, provided they have sufficient funds to satisfy the demands of men, with small means. The suggestion that urban banks may be allowed to finance artisans' societies within their areas is not approved as this is the function of district central banks. (Paragraph 221.)

129. The business of urban banks can be considerably expanded if they make advances on security of agricultural produce and also on the security of gold and silver where arrangements can be made for godowns and for proper custody. (Paragraph 221.)

130. Urban banks should concentrate mainly on short-term business and should not lock up their funds in loans on the security of houses and landed properties. (Paragraph 221.)

131. Salary earners' societies should be looked upon primarily as thrift societies. Credit when allowed should be based on the desire and ability of the members to practise thrift. (Paragraph 222.)

132. Factory workers' societies are more of the nature of loan than of thrift societies and render service to their members mainly by securing them funds for domestic expenses. (Paragraph 223.)

133. In rural areas members of depressed classes should generally be advised to join local village co-operative societies. It is not necessary to organise separate societies for such classes, except when the men are engaged in some special industries such as leatherwork or weaving, for which special arrangements for finance are required. (Paragraph 224.)

134. Special societies would be necessary in urban areas for members of depressed classes constituting distinct groups by reason of their being engaged in some particular trade and industry. The best course for them, however, would be to seek admission to an urban people's bank. (Paragraph 224.)

135. Where large numbers of the members of the depressed classes are engaged in the service of a public corporation, the public body may be induced to start a co-operative society to which these men should be freely admitted as members. (Paragraph 224.)

136. There should be co-ordination between the co-operative sale societies and co-operative credit societies. (Paragraph 225.)

137. For co-operative land improvement societies it is necessary to take power under the law to compel a minority to join a scheme and to contribute towards its expenses and maintenance, when 75 per cent. of the holders of land owning not less than three-fourths of the land falling within the scheme agree to combine and form the society. (Paragraph 226.)

138. Only seven per cent. of the finance required by the agricultural population of the Province is supplied by the co-operative movement. (Paragraph 227.)

139. The ultimate policy as regards branches of the Provincial Bank should be to evolve a banking union out of every one of them. A beginning may be made by changing the constitution of the branch advisory committees so as to convert them into local boards of directors and empower them to advance loans upto a certain maximum amount for a single society. (Paragraph 231.)

140. A branch of the Provincial Bank may be converted into a banking union, provided the latter is in a position to give the same facilities to its constituent societies as are given at present and two-thirds of the societies in the area agree to the conversion. (Paragraph 231.)

141. The business of the central banks will considerably develop if they start branches within the area financed by them. (Paragraph 231.)

142. The proposal for the centralisation of all co-operative finance in one institution is not approved. (Paragraph 232.)

143. The work of central banks should be co-ordinated by the organisation of a small committee consisting of a representative of the Co-operative Department, one of the Provincial Bank, three of central banks and one of urban banks. (Paragraph 233.)

144. Such a committee should look into all important matters, particularly the training of the staff, their adequacy and efficiency, the borrowing and lending rates of the banks, inspection of central banks and divisional federations of urban banks and similar matters of common interest. (Paragraph 233.)

145. It is not necessary for central banks to co-operate for the purpose of lending and borrowing on a provincial scale. (Paragraph 234.)

146. The co-operative movement has received certain concessions from Government. Some additional concessions are recommended. (Paragraph 235.)

147. The Provincial Bank as the apex bank for the whole movement should have a substantial cash credit from the Imperial Bank. (Paragraph 236.)

Chapter XII.

148. The Dekkhan Agriculturists' Relief Act should be repealed and a new Act containing a few provisions to safeguard the interests of the agriculturists should be enacted. (Paragraph 239.)

149. The new enactment should apply only to small and genuine agriculturists. (Paragraph 240.)

150. Investigation of past transactions should be rendered possible by requiring money-lenders to keep proper accounts. (Paragraph 240.)

151. Provision should be made in the Act for allowing instalments for the repayment of the amount decreed. (Paragraph 240.)

152. Freedom for agriculturists from arrest in execution of decrees should be continued. (Paragraph 240.)

153. Suits now decided by the village *munsifs* might be entrusted to the village *panchayat*, the grant of judicial power to whom is now under the consideration of Government. (Paragraph 240.)

154. The Usurious Loans Act is being availed of only to a small extent in this Province, the reasons being the comparative novelty of the Act and the fact that greater relief can be obtained by the agriculturist under the Dekkhan Agriculturists' Relief Act. (Paragraph 241.)

155. The Usurious Loans Act should be utilised more than is being done at present, but it cannot entirely replace the Dekkhan Agriculturists' Relief Act. (Paragraph 241.)

156. The licensing of money-lenders is not practicable and is not therefore recommended. (Paragraph 242.)

157. Creditors should be compelled to keep regular accounts of all transactions with their debtors and to furnish every six months a statement showing the balance outstanding and all transactions entered into during the six months to which the statement relates. (Paragraph 243.)

158. The provisions of the Insolvency Act are being abused in some cases. Effective measures should be taken to check dishonest recourse to the Act. (Paragraph 244.)

159. A simple Rural Insolvency Act may be enacted at an early date. (Paragraph 244.)

160. The Record of Rights is fairly accurate, but in some places better supervision and control are needed to see that the entries are properly and speedily made. All rights and encumbrances should be correctly entered in the record. (Paragraph 245.)

161. Necessary steps should be taken for the speedy disposal of suits and prompt execution of decrees. (Paragraph 246.)

162. To remove the legal difficulties in relation to the just claims of money-lenders all suits for amount not exceeding Rs. 200 should be referred to a board of three arbitrators for disposal. (Paragraph 247.)

163. The operation of section 58 (f) of the Transfer of Property Act under which equitable mortgages are effected might be extended to a few other commercial centres besides Bombay and Karachi. The power of specifying such centres should be delegated to the local Government. (Paragraph 248.)

164. When an estate is taken over for management under the Sind Encumbered Estates Act, a part of the estate may be sold to repay the debt if the income is not sufficient for the repayment of the debt within a period of five years. Reasonable rate of interest should be allowed on the outstanding balance. (Paragraph 249.)

165. When land is held by an inferior holder on terms which prevent him from raising money on its credit, either the superior holder should finance the inferior holder or should stand as surety for loans which the latter may obtain from co-operative societies. (Paragraph 250.)

166. In the case of inalienable *inam* lands. Government should either undertake to finance the holders by means of *tagavi* or should allow the lands to be mortgaged to co-operative societies. (Paragraph 250.)

Chapter XIII.

167. The complaint made by indigenous bankers that since the amalgamation of the Presidency Banks the accommodation allowed to them by the Imperial Bank has been curtailed should be examined. Business with the *shroffs* should be increased by an extension of rediscount business and by advances against stocks. (Paragraph 264.)

168. The Central Committee may investigate the complaint made by the local *shroffs* that before the amalgamation of the three Presidency Banks, the Bombay Presidency enjoyed the advantage of lower rates of interest due to the commercial development of the Presidency and its developed banking resources, whereas the Imperial Bank now puts up the rate of interest so as to secure uniformity with the rates prevailing in other commercially less advanced provinces. (Paragraph 264.)

169. The Imperial Bank of India should consider the suggestion that *shroffs* of approved standing and financial position should be given the same credit facilities as are extended to certain firms on hypothecation of goods. (Paragraph 264.)

170. With a view to bridging the gulf now separating the branches of the Imperial Bank of India from indigenous bankers, local advisory committees should be appointed at important centres where the Imperial Bank has its branches. The constitution of such committees should be such as to assure *shroffs* that their applications for financial accommodation would receive due consideration. (Paragraph 264.)

171. With a view to recognising, preserving and developing the indigenous system of banking and adapting it to present-day conditions so as to make it a part of the national credit system, *shroffs* should be linked with the central banking institution as its agents. The agency scheme should be introduced tentatively at selected places where there is no organised bank, and the *shroff* nominated as the agent of the central banking institution should receive funds from it to be employed by him at his own risk in making advances within sanctioned limits and subject to such general conditions as may be prescribed by the Bank. In the selection of agents a syndicate of *shroffs* should be given preference to a single *shroff* or a firm of *shroffs*. (Paragraph 265.)

172. No legislation need be undertaken for the regulation of the business of *shroffs*. (Paragraph 266.)

173. There should be indigenous bankers' associations at important centres and they should be recognised by Government and the central banking institution of the country. (Paragraph 267.)

Chapter XIV.

174. Money-lenders need not be licensed, but there should be legal provisions for the regulation of their accounts, as suggested in Chapter XII. (Paragraph 283.)

175. Where complaints about oppression by Pathan money-lenders are common and no proceedings can be taken against them under the ordinary law, Government should take action under section 3 of the Foreigners' Act or under some special legislation and deport such of them as are found to be a menace to society. (Paragraph 284.)

Chapter XV

176. The defects brought to light by the bank failures in 1913 have emphasized the need for legal safeguards for protecting depositors as well as banks. (Paragraph 285.)

177. It is necessary to provide by law that the use of the term "bank" should be restricted to a person, firm or institution registering itself as a bank and doing exclusively what is ordinarily understood as banking. (Paragraph 286.)

Chapter XVI.

178. The present limits of deposits to be made and the total balance that can be held by a single depositor in a post office savings bank are Rs. 750 and Rs. 5,000 respectively, while the limit for the balance in a minor's account is Rs. 1,000. It is suggested that the limit in respect of the minor's account should be raised but not the ordinary limits. (Paragraph 289.)

179. Depositors should be allowed to make deposits and withdrawals by means of cheques, in selected post offices to begin with. (Paragraph 289.)

180. Accounts should be allowed to be opened in the names of two persons, payable to either or survivor, and provision should be made for the recording of nomination of the heir to whom payment is to be made in the event of the depositor's death. (Paragraph 289.)

181. Propaganda should be carried on for opening new savings bank offices, and in the experimental stage, in selected areas, officers of co-operative societies or village school-masters serving as part-time post-masters should be entrusted with the work of collecting deposits. (Paragraph 289.)

182. The system of nomination should be introduced also for postal cash certificates. (Paragraph 290.)

183. The rate of interest on postal cash certificates should be lowered so as to keep it on par with the prevailing yield on Government securities. As few changes should be made in these rates as possible. (Paragraph 290.)

184. A part of the amount collected by the Government through post offices should be placed at the disposal of co-operative societies or advanced as *tagavi* to individuals. (Paragraph 291.)

185. Provincial Governments should have a claim on the Central Government for cheap finance for the development of agriculture, trade and industries and for the grant of loans to public bodies such as municipalities and local boards. (Paragraph 291.)

186. Treasury bills are issued at present for longer periods than before and the rates of interest are also high. These features of the system are likely to hamper the growth of deposit banking and may, in the long run, even affect the lending operations of banks. (Paragraph 292.)

187. Public Debt Offices should be opened at Karachi and Ahmedabad. These two centres may also be authorised to issue treasury bills after acceptance of tender. (Paragraph 293.)

188. In the case of Government securities, interest coupons should be attached to the bonds and the procedure for renewing notes and issuing bonds of smaller denominations, etc., should be simplified and speeded up. (Paragraph 293.)

189. Banks may popularize investment in securities by reducing charges for safe custody and for purchase and sale, and by offering attractive terms for purchase of new loans in instalments. (Paragraph 293.)

190. Co-operative societies and banks should explore all avenues for drawing to themselves savings of small men by attractive plans for savings deposits. (Paragraph 294.)

191. In order to attract savings deposits joint stock banks should open small branches within city limits. (Paragraph 295.)

192. Investment trusts are not a practical proposition to-day in this Province. (Paragraph 297.)

193. There is a vast field for the spread of the operations of life insurance companies in rural areas and among owners of land. (Paragraph 298.)

194. In view of the existence of a large number of local life insurance companies, the extension of the operations of postal insurance system for persons other than Government employees is not recommended. (Paragraph 298.)

195. Co-operative cattle insurance societies should not be started unless the actuarial aspects of the proposal are thoroughly investigated in a scientific manner. (Paragraph 300.)

196. Steps should be taken to secure by legislation that all non-Indian insurance companies place some initial deposit with Government and also invest a certain percentage of income from premia in India in approved Indian securities. (Paragraph 301.)

197. The extent of hoarding precious metals in this Province has been much exaggerated. (Paragraph 302.)

198. Whatever hoards may be in existence can be mobilised by introducing gold certificates as suggested by the Hilton Young Commission. (Paragraph 302.)

199. The re-introduction of the one rupee currency note is recommended. (Paragraph 302).

200. The removal of duty on cheques has the effect of inducing trading classes and indigenous bankers to open accounts with banks, and has led to an increased use of this negotiable instrument. (Paragraph 303.)

201. Further extension of the use of cheques can be encouraged by charging a low rate of exchange on upcountry cheques. (Paragraph 303.)

202. Further use of cheques could be encouraged if vernacular script was allowed to be used. (Paragraph 304.)

203. Joint stock and co-operative banks should allow moneys to be withdrawn from savings bank accounts by cheques. (Paragraph 305.)

204. Cheques should be accepted by Government in payment of land revenue. (Paragraph 306.)

205. The Imperial Bank of India by opening branches has been successful in raising local capital. (Paragraph 307.)

206. There is, however, a complaint that the bulk of capital so raised is not made available locally. (Paragraph 307.)

207. Local agents of the Bank should be allowed wider discretion in the grant of advances. (Paragraph 307.)

208. They should be thoroughly familiar with the language of the district and make an effort to come into touch with the commercial community of the place. (Paragraph 307.)

209. Advisory committees should be constituted as an experimental measure in a few selected branches of the Bank. (Paragraph 307.)

210. The Imperial Bank has been able to render services by offering low rates of interest and remittance facilities on cheap terms. (Paragraph 307.)

211. Very little has been done to develop local industries, but the Bank has given facilities for financing internal trade. (Paragraph 307.)

212. Even if some of the branches of the Imperial Bank do not pay, it should continue to maintain them in the general interests of the community. (Paragraph 307.)

213. The need for Indianisation of the staff in charge of such branches deserves to be emphasized. (Paragraph 307.)

214. Only in two places there are branches of the larger joint stock banks. The only banking organisations possible in small centres are urban and central co-operative banks or their branches. (Paragraph 307.)

215. The Imperial, joint stock and co-operative banks may adopt a system of having part-time branches working two or three days in a week and city branches working a few hours on pay days. (Paragraph 307.)

309. In conclusion, we would like to express our thanks to our staff who had to work hard, collecting and arranging a large mass of material within the limited time at our disposal. Our special acknowledgments are due to our Secretary, Mr. R. P. Masani, for the assistance which, with his knowledge and experience of banking, he was able to give us, and for the ability and zeal which he brought to bear upon the work which devolved on him.

J. A. MADAN,

Chairman.

V. L. MEHTA.

V. G. KALE.

JAMSHED N. R. MEHTA.

L. D. L. BUCKLEY.

B. S. KAMAT.

P. R. CHIKODI.

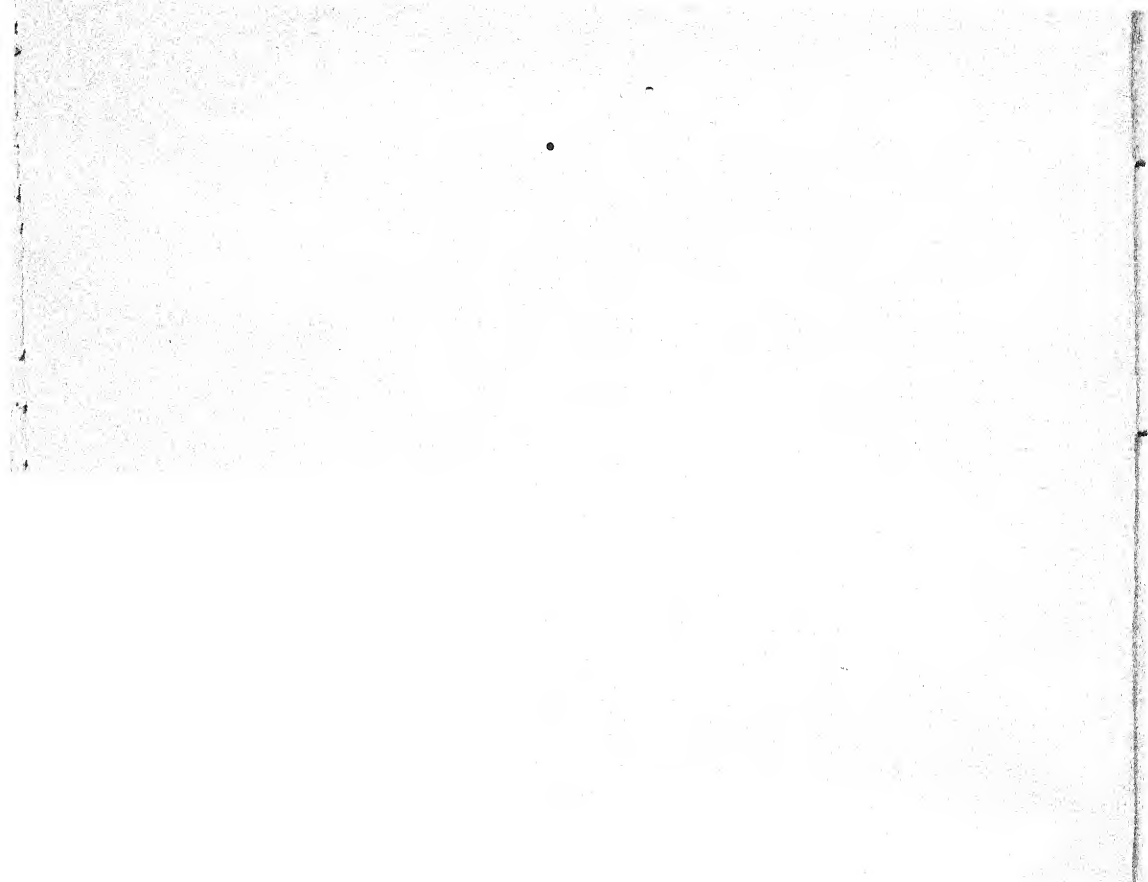
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R. P. MASANI,

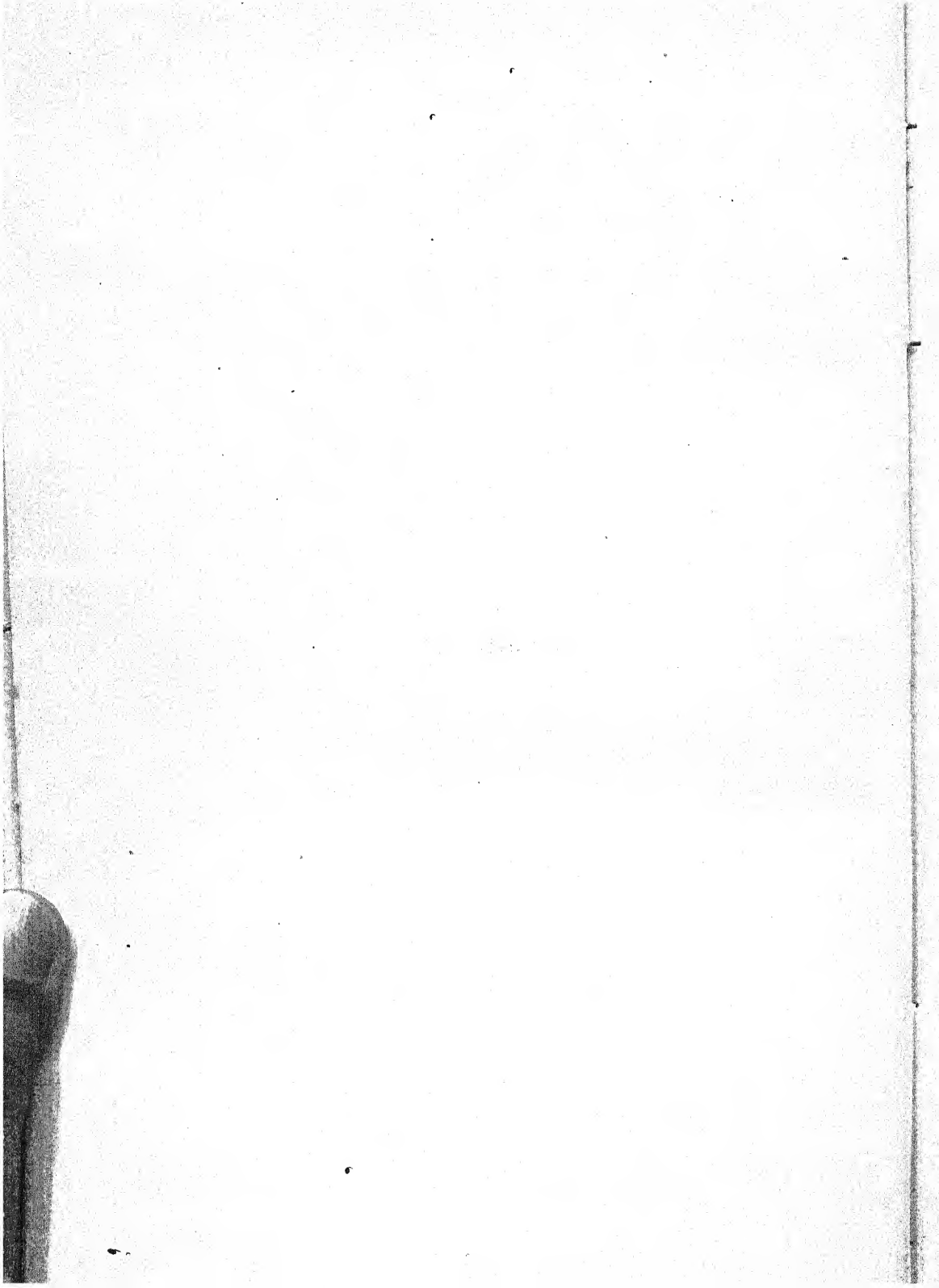
Secretary.

Dated the 7th day of May 1930.

* Mr. Hirachand Vanechand Desai states that owing to the recent arrest of Mr. Gandhi he does not see his way to sign the report.



APPENDICES



APPENDIX I. .

Bombay Provincial Banking Enquiry Committee.

QUESTIONNAIRE.

(The following memorandum is published in order to assist witnesses in the preparation of their evidence. It is not to be regarded as exhaustive, nor is it desired that each witness should necessarily attempt to deal with all the questions raised.)

I.—Agricultural credit and credit facilities for small industries.

1. Describe the present system by which the agriculturist in your district or province obtains finance—

- (a) for expenses during cultivation ;
- (b) for capital and permanent improvements ; and
- (c) for other special needs, *e.g.*, failure of monsoon, for land revenue, etc.

What are the rates of interest charged in your district or province in respect of advances, the period for which loans are taken, the nature of the security given and accepted (*e.g.*, standing crops, etc.), and other conditions attaching to the grant of such loans ?

Describe the part played in agricultural finance by Government, the Imperial Bank of India, the joint stock banks, co-operative banks, the indigenous banks and bankers, professional money-lenders, merchants and dealers, and other organisations giving credit (*e.g.*, companies trading in fertilisers, etc.).

Can you give an estimate of the total amount of capital required for the various purposes stated above for your district or province ?

Is any information available as to the extent of finance provided annually in kind ?

State defects, if any, in the present system and the reasons for the existence of such defects. Do you suggest any remedies ?

Is there co-ordination among the various credit agencies including Government, and is there scope for improvement in that direction ?

2. Describe the present method of marketing principal crops in your district or province.

What in your opinion are the possibilities of forming pools and of co-operative effort generally in marketing produce ?

Describe the credit facilities required for the financing of products during marketing and the facilities actually existing.

In regard to such facilities is there any special difference as between internal trade and foreign trade ?

What is the part played by the different classes of banks and bankers and merchants and dealers during the process of marketing ?

What are the existing facilities available to the public, including banks and bankers, for internal remittance ?

State any defects in the existing system and any suggestions for improvement.

Describe the part played by negotiable instruments in the internal trade of the province.

Have you any suggestions to make for the more extensive use of bills (*e.g.*, by reduction of duty on bills) ?

What are the different classes of *hundis* current in your part of the country ? What are the peculiarities of each ? Please give sample wording.

Have you any suggestions for the amendment of the Negotiable Instruments Act by which the public and the bankers handling *hundis* might be better protected or benefited ?

Are *hundis* emanating from your locality discounted in your local centre or are they sent to a provincial centre and discounted there, or are they held by middlemen, merchants or commission agents ?

What different kinds of instruments of ownership of goods and produce (*e.g.*, railway receipts) and documents are employed for raising money during the process of marketing ?

Are any difficulties experienced in the use of these instruments and have you any suggestions to make with a view to removing those difficulties ?

What in your opinion are the possibilities of operating licensed warehouses in India either on the lines of the system which exists in the United States of America or otherwise ?

Do you think there is any need for Government assistance in the matter ?

3. In your district what is the value of land per acre for different kinds of crops ?

What are the factors affecting such value ? In your reply, please distinguish between—

- (a) value of land in Government auction for non-payment of revenue ;
- (b) value of land in the event of sale by court decree ;
- (c) value of land in purchase by private negotiation.

4. Is there any legal impediment to mortgage of land and agricultural holdings in your province ? Are there any land mortgage banks or agricultural banks in your province or any other banks for the provision of long-term credit ?

State what you know of their method of work and of raising capital.

If no such institution exists in the province, suggest the lines on which such institutions could be established and worked to the advantage of the landholders and tenants of your province.

Do you suggest any measures for—

- (a) improvement in the record of rights and title of ownership so as to simplify reference and to avoid possibilities of disputes and counterclaims by parties other than those who are the clients of the bank ;
- (b) simplification of the process of foreclosure and sale by the mortgage bank in the event of non-payment ;
- (c) reduction of costs of reference to the record of rights and of registration of records and of the process at law so as to reduce the burden on the good constituents of the bank in respect of charges incurred on account of defaulters ?

Should the working capital of the proposed mortgage bank be derived largely from—

- (a) deposits ;
- (b) funds from central institutions ; or
- (c) debenture bonds ?

Should debenture bonds carry any Government guarantee either for principal or interest or for both ?

If so, what measures would you suggest to secure Government against unnecessary loss ?

On what terms should agricultural mortgage banks raise monies under each of the abovementioned heads, with or without Government guarantee, and on what terms should they lend out money so as to cover their expenses ?

Please state any other suggestions for the adequate provision of long-term credit against sound security.

5. In order to devise measures for the increase of credit facilities to the agricultural classes it is necessary to reach an estimate as accurate as possible of the existing indebtedness of these classes.

Do you know of any such estimate for a village or a district in your province, or for the whole province ?

In what manner can such an estimate be obtained with reasonable accuracy ?

In such an estimate please distinguish between—

- (a) the amount of debt with land as security which is in the form of a registered mortgage,
- (b) the amount of debt which is concealed in the form of a judicial sale to circumvent the provisions of Acts such as the Dekkhan Agriculturists' Relief Act,
- (c) the amount of debt which is incurred against any other assets, such as the village house, ornaments, ploughs and other agricultural implements, crops and produce, or debt which is given on the general security of all the assets without a specific pledge,
- (d) the amount of debt on personal credit secured by demand promissory notes or otherwise.

Please state wherever possible the purposes for which the debt was incurred, such as—

- (a) the repayment of earlier debts,
- (b) marriage and other social occasions,
- (c) famine and other kinds of distress,
- (d) payment of land revenue,
- (e) growth of the debt by compound interest, interest not having been paid,
- (f) seeds and manure,

- (g) improved agricultural implements,
- (h) sinking of wells and agricultural improvements,
- (i) purchase of land or bringing into cultivation fallow lands,
- (j) construction or acquisition of houses.

Please indicate also to whom this debt is largely due and whether the creditors are Government banks, co-operative societies, or indigenous bankers and professional money-lenders.

State what you know of the rates of interest charged, the methods used for calculating it and for enforcing the payment of the debt.

Do you think a large number of people, who are efficient farmers, are being turned into tenants for a period, or tenants-at-will, through the process of the enforcement of the old debts and landed property passing on into the hands of the creditors? *Distinguish between conditions in irrigated tracts, the famine zone and areas not generally liable to famine.*

If this process is going on, does it take away from the actual cultivator the incentive to produce more and in an efficient and better manner?

6. Give some idea of the number of small subsidiary industries allied or supplemental to agriculture existing in your province, such as rice milling, dairy farming, *gur* making, garden produce, cotton ginneries, sugar refineries, hand-spinning, etc.

Can you suggest methods by which any such industries could be encouraged and by which the producer might be enabled to get a better return for his produce?

Can you suggest any enterprises which may give employment to the farmer during seasons when he cannot make full use of his time on his farm and thus enable him to supplement his income and to raise his standard of living?

What would be the best method of securing working capital and proper marketing facilities for such enterprises?

What financial machinery do you suggest for this purpose?

6A. *Are there any small industries not necessarily allied or subsidiary to agriculture, e.g., weaving, existing in your district or province? If so, have you any suggestions to make regarding them, on the lines mentioned in question 6 above?*

7. State what you know of the relations that exist between the co-operative banks and the other banks in the country, namely, the Imperial Bank of India, the joint stock banks and the indigenous banks.

Describe any existing difficulties in the matter of finance in the case of co-operative societies both in regard to short and long term capital.

Can you give an estimate of the amount of extra capital required for financing co-operative movement in your district or province?

Is there any competition in your district or province between the co-operative banks and joint stock banks?

If so to what extent and in what direction?

Have you any views regarding the possibility and desirability of granting financial concessions in order to stimulate the growth of the co-operative movement, (e.g., by extension of special exemption from income-tax to genuine co-operative societies, inclusion of debentures issued by provincial co-operative banks in the list of trustee securities, etc.)?

To what extent has the co-operative movement succeeded in meeting the financial needs of the agriculturist, the small trader and industrialist in your district or province? How far, in your opinion, is the movement capable of meeting the financial needs of these classes?

8. *How far in your opinion, is the provision of credit facilities affected by existing legislation and legal procedure? Have you any suggestions to make regarding improvements in this respect? In particular, what do you think of the effect of the working of the Dekkhan Agriculturists' Relief Act on the facilities for obtaining credit? Do you think this Act requires modification and if so, in what directions?*

9. *Can you state why the Usurious Loans Act is not being availed of in this province? What measures would you suggest for greater use being made thereof?*

Would you suggest the enactment of legislation such as the English Money-lenders' Act or the proposed Money-lenders' Bill for the Punjab?

II.—Indigenous Banking.

(Note.—By indigenous banking is meant all banks and bankers other than the Imperial Bank of India, the exchange banks, joint stock banks and co-operative banks. It includes any individual or private firm receiving deposits, dealing in *hundis* or lending money).

1. State what you know of the functions of the indigenous bank or banker in your district or province enumerating all kinds of business the bank or banker transacts.

2. How and to what extent does an indigenous bank or banker in your district or province assist in financing agriculture, trade and industry?

3. State what you know of the organisation of the indigenous banking system in your district or province with regard to—

(a) the amount of capital invested,

(b) the volume of their business,

(c) their expenses, and

(d) the relations between one indigenous bank and another and between indigenous banks and other banks in the country, *viz.*, the Imperial Bank of India, the joint stock banks and the co-operative banks,

(e) the adequacy of the facilities afforded by the Imperial Bank to indigenous bankers.

4. State what you know of the various forms of *hundis* and other credit instruments used by the indigenous banks and bankers and the extent of their use. Give sample copies of any of the *hundis*, promissory notes, deposit receipts, etc., used in your locality.

5. State what you know of the indigenous bankers' methods of granting loans and allowing cash credits and the terms and nature of these loans and cash credits.

What are the means by which the indigenous banks and bankers provide themselves with funds to meet their demands?

What are the rates of interest allowed on various kinds of deposits received by them?

6. Is it the general practice with indigenous bankers to insist on advances being drawn in the shape of commodities purchased through them or repaid in goods sold through their agency?

What are the rates of interest either in money or in kind which the agricultural community has to pay at present to the indigenous banker?

In what manner do you suggest these rates could be brought down by better organisation?

Would the reduction of such rates confer great benefit on the agricultural community and increase its resources thereby leading either to an improvement in the standard of living or enabling them to spend more on agricultural improvements, better agricultural implements, etc.?

After making allowance for the legal expenses, management charges, losses through default and losses through foreclosure, can you give an idea of the net return to the indigenous banks and bankers on their capital?

7. Is there a prejudice in your locality against the indigenous bankers? Are these bankers sufficiently protected in law?

Is there any legal or other facility which can be extended to them?

Are the dealings of this class of bankers with their clientele conducted on sound lines?

If not, indicate the existing defects, making suggestions for remedying them.

8. Would you suggest any means of making this class of bankers more serviceable to the community?

Could you suggest any means by which the indigenous banking system in India could be improved and consolidated?

Do you recommend any special facilities to be given to this class for this purpose?

What is the general system of accounts keeping and to what extent are accounts open to inspection or verification by customers?

What do you think would be the attitude of the indigenous banking community towards the introduction of any measures for regulating their operations and for giving publicity to the same?

9. Please state whether the indigenous banks and bankers are able to meet all demands for accommodation or whether they are obliged to refuse any either on account of the unacceptable nature of the security offered or owing to insufficiency of their working capital?

10. How in your opinion should the indigenous banking system be linked with the central money market and provincial capitals?

Would you suggest the establishment of a branch of a joint stock bank, or a branch of a Central Reserve Bank, or a local bank with local directorate, or an urban co-operative bank, in each district with which the indigenous banking system may be connected?

In what manner could such a bank inspire the confidence of the indigenous bankers and be able to utilise the local knowledge and experience of the latter?

How is the competition of such a bank with the indigenous bankers to be avoided?

11. Do you think there is a large amount of money in the districts in the hands of indigenous bankers which does not find employment throughout the year?

Do you think that owing to this cause any large amount of money is flowing to the provincial capital either for long or for short periods?

Do you think any kind of improvement in the organisation of lending or borrowing can be made by which these funds instead of flowing to the provincial capitals would find remunerative employment in the districts and thereby benefit the districts?

III.—Investment habit and attraction of capital.

1. What are the existing banking resources in the province?

Can you state the amount of additional capital, if any, required?

What are the means or institutions in existence for encouraging savings and investment habit?

What has been the influence of co-operative societies and banks, insurance companies and provident societies in this respect?

Are the public provided with full facilities for the investment of their savings?

Can the existing facilities be improved in any way or extended in the smaller interior places?

Can you suggest ways in which persons unwilling to earn interest on deposits can be induced to render their savings available for the economic development of the country?

Can you give any useful information in regard to the habits of the people of India to invest in silver and gold and land?

2. Are postal cash certificates popular in your district or province and can any steps be taken to increase their popularity?

Do present interest rates of cash certificates require revision and do existing terms of issue in any way need change?

Do savings banks afford all possible facilities to the public?

What classes of population resort to such forms of investment?

Can anything be done to attract other classes?

Have you anything to say regarding the alleged competition of Government with banking institutions and bankers in regard to deposits by their attractive rates on postal cash certificates and treasury bills?

3. State the existing facilities for purchase and sale of Government securities afforded by Government, the Imperial Bank of India and other banks. Are you in favour of granting any special facilities to the small agriculturists and the small investors of the country to take up some form of Government security? If so, state what special facilities you recommend.

State the existing facilities for purchase and sale of securities other than Government securities, afforded by the various financial agencies.

Can you indicate clearly the habits of various groups of people in your district or province with reference to monies which come into their hands by sale of produce or through any other cause? Where do they keep this money and for what purposes and in what manner do they use it?

Do the farmers lend to fellow agriculturists and on what terms? How do they invest surplus money in a prosperous year? Give any information you can regarding the amount, growth and distribution of capital among the indigenous population.

4. State what you know about the growth of cheque-habit.

What has been the effect of the abolition of stamp duty on cheques?

What classes of population use cheques? Have you any suggestions to make for further promoting the cheque habit (*e.g.*, payment of Government servants and bank employees above Rs. 100 by cheques)?

Have you any suggestions to make regarding the use of vernacular scripts in banking?

5. Do you support the view that the banking and investment habit in India is of very slow growth?

If so, to what causes do you attribute it?

Have you any suggestions to make regarding the various possible means of educating the people of the country to invest their savings in productive undertakings (*e.g.*, propaganda by Government in regard to Government loans for capital expenditure, etc.)?

As far as you know, what has been the result of the opening of new branches in recent years, by the Imperial Bank of India?

Have you any knowledge of investment trust? Do you advise the formation of such bodies in this province or your district?

Supplementary Questionnaire.

I. Describe the part played by the different classes of banks and bankers and importing and exporting firms in the financing of foreign trade of India during the following stages:—

(a) Export Trade—

(i) From the village to the *mandi*.

(ii) From the *mandi* to the exporting ports.

(b) Import Trade —

(i) From the importing ports to the distributing centres in India, such as Amritsar, Delhi, Cawnpore, etc.

(ii) From the distributing centres to the consumer.

II. What are the terms on which the financing of trade during the above stages is done? Are any difficulties experienced in connection with the above financing and have you any suggestions to make for removing those difficulties and for improving in any way the existing financial facilities available for the movement of imported and exportable articles?

III. It has been suggested that the grower of produce in India does not get the full value for his produce on account of the speculative buying and selling activities of firms and companies who deal in the export trade and by the control of prices by these and other bodies. What are your views on this suggestion? Please supplement your views by any facts and figures within your knowledge. Have you any observations to make with a view to ensure a better return to the growers of produce in India?

APPENDIX II.

LIST OF WITNESSES EXAMINED.

Government Officials.

1. Abdur Rahim, Khan Bahadur Gulam Mahomed, Deputy Director of Agriculture, Sind.
2. Abott, Mr. J., I.C.S., Collector, Dharwar.
3. Advani, Mr. P. B., M.Sc. (Tech.), M.S.E., Director of Industries.
4. Almoula, Mr. S. G., B.A., LL.B., Assistant Registrar, Co-operative Societies, Surat.
5. Azimkhan, Inayatallikhan, Khan Bahadur, Deputy Registrar, Co-operative Societies, Sind.
6. Beri, Professor S. G., M.A., Karnatak College, Dharwar.
7. Bewoor, Mr. G. V., I.C.S. (Postmaster-General).
8. Bhagwat, Mr. N. P., M.A., LL.B., Assistant Registrar, Co-operative Societies, Belgaum.
9. Bhide, Mr. V. S., I.C.S., Registrar, Co-operative Societies.
10. Braham, Mr. H. V., I.C.S., Collector, Surat.
11. Burns, Dr. W., D.Sc., Director of Agriculture.
- *12. Desai, Mr. B. N., Mamlatdar, Dohad.
13. Desai, Mr. G. G., M.A., District Deputy Collector, Broach.
- *14. Gadgil, Mr. V. V., B.Ag., Deputy Director of Agriculture, Konkan Division.
15. Garrett, Mr. J. R., I.C.S., Commissioner, Northern Division, Ahmedabad.
16. Ghulam Nabi, Khan Sahib Nur Nabi, B.A., Deputy Collector, Shahbunder.
- *17. Gilligan, Mr. W. B., I.C.S., Collector, Ratnagiri.
18. Gokhale, Professor V. G., College of Agriculture, Poona.
- *19. Hiremath, Mr. R. S., District Deputy Collector, Bijapur.
20. Huli, Mr. C. B., Assistant Registrar, Co-operative Societies, Dharwar.
21. Hulyal, Rao Saheb M. N., B.A., District Deputy Collector, Western Division, Poona.
22. Karanjikar, Mr. S. R., Mamlatdar, Shirpur.
23. Koreishi, Mr. A. O., M.A., Collector, Broach.
24. Marathe, Mr. C. G., Huzur Deputy Collector, Dhulia.
25. Master, Mr. A., I.C.S., Collector, Kaira.
26. Mirchandani, Mr. U. M., I.C.S., Collector, West Khandesh, Dhulia.
27. Mule, Rao Saheb R. D., District Deputy Collector, Sholapur.
28. Nadig, Mr. V. V., B.A., District Deputy Collector, Belgaum.
- *29. Naik, Mr. V. H., M.A., Collector, Bijapur.
30. Palekar, Rao Bahadur, B.A., M.B.E., District Deputy Collector, Belgaum.
31. Patel, Mr. B. S., Deputy Director of Agriculture, Gujarat, Surat.
32. Patel, Rao Saheb D. A., B.A., Personal Assistant to the Collector of Surat.
33. Patil, Rao Bahadur P. C., L.Ag., M.Sc. (Agrl. Economics), Acting Principal, Agricultural College, Poona.
34. Patil, Mr. R. S., Agricultural Organizer, Co-operative Societies, Southern Division, Dharwar.
35. Patwardhan, Mr. R. W., B.A., Assistant Registrar, Co-operative Societies, Khandesh Division, Dhulia.
36. Phanse, Mr. M. A., B.A., District Deputy Collector, Sholapur.
- *37. Potnis, Mr. D. J., B.Ag., Huzur Deputy Collector, Ratnagiri.
- *38. Potnis, Rao Saheb L. S., B.A., Huzur Deputy Collector, Karad.
39. Punjabi, Mr. K. L., I.C.S., Superintendent, Land Records, Central Province, Poona.

40. Salimath, Mr. S. S., Deputy Director of Agriculture, Dharwar.
- *41. Sashittal, Mr. M. S., B.A., District Deputy Collector, Ratnagiri.
42. Shah, Mr. D. A., M.A., LL.B., Assistant Registrar, Co-operative Societies, Southern Division, Poona.
43. Shevade, Mr. S. V., Cotton Superintendent, Southern Maratha Country, Dharwar.
44. Shirras, Mr. G. Findlay, M.A., Principal, Gujerat College, Ahmedabad.
45. Wagholkar, Mr. B. P., L.Ag., Deputy Director of Agriculture, South Central Division, Poona.

2. *Representatives of Commercial Bodies.*

1. Ahmedabad Millowners' Association, Ahmedabad—
Mr. Sakarlal Balabhai, M.L.C., *Vice-President*.
Mr. Shantilal Mangaldas, *Honorary Secretary*.
Mr. Goverdhandas I. Patel, *Secretary*.
2. Ahmedabad Shroff Association, Ahmedabad—
Mr. Jaisinghbhoy Purshotamdas.
Mr. Amritlal Hargovandas.
Mr. Jamnadas Chimanlal.
Mr. Manilal Bhogilal.
3. Bombay Chamber of Commerce, Bombay—
Mr. E. Miller, M.L.C.
Mr. A. R. Ingram.
Sir Leslie Hudson, M.L.C.
Mr. R. Sullivan.
4. Bombay Hosiery Merchants' Association, Bombay—
Mr. K. N. Katrak.
5. Bombay Native Piecegoods Merchants' Association, Bombay—
Sir Manmohandas Ramji, Kt.
6. Bombay Native Share and Stock Brokers' Association, Bombay—
Mr. K. R. P. Shroff, *Chairman*.
Mr. A. D. Shroff, *Member*.
7. Buyers' and Shippers' Chamber, Karachi—
Mr. C. A. Buch, *Vice-Chairman*.
Mr. Haridas Lalji, *Honorary Secretary*.
8. Grain Merchants' Association, Bombay—
Mr. A. R. Bhat, M.Com., *Journalist*.
Mr. Dabke.
9. Indian Central Cotton Committee, Bombay—
Mr. W. J. Jenkins, *Secretary*.
Mr. Ellis Jones, M.L.C., *Member*.
10. Indian Insurance Companies Association, Bombay—
Mr. K. S. R. Iyer.
11. Indian Merchants' Chamber, Bombay—
Mr. Husseinbhoy Lalji, *Vice-President*.
Mr. Walchand Hirachand, *Member*.
12. Karachi Indian Merchants' Association, Karachi—
Seth Doongersey Dharamsey.
Mr. T. K. Jeswani, M.A.
- *13. Kirlosker Brothers, Ltd., Karad—
Mr. K. W. Gurjar, *Secretary*.
14. Maharashtra Chamber of Commerce, Bombay—
Mr. M. L. Dahanukar.
Mr. S. H. Lele.
Mr. Kelkar, *Secretary*.
15. Maharashtra Manufacturers' Association, Poona—
Mr. G. D. Kelkar, *Honorary Secretary*.

16. Marwari Chamber of Commerce, Bombay—
Mr. Ramchandra Baid.
Mr. Shivapratap Joshi.
Mr. Begraj Gupta.
Mr. Dikshit.
17. Panchkuva Cloth Association, Ahmedabad—
Mr. Punjabhoy Dipchand.
Mr. Maneklal Motilal.
18. Poona Merchants' Association, Poona—
Principal G. K. Bhopatkar.
19. Ralli Brothers, Bombay—
Mr. G. Sugdury.
20. Shareholders' Association, Bombay—
Principal Sohrab R. Davar, Bar-at-Law.
Mr. Jamnadas Morarji.
Mr. Jagmohandas Kapadia.
21. Sholapur Merchants' Chamber, Sholapur—
Mr. Gulabchand Hirachand, President.
Mr. S. B. Dhumma, Vice-President.
Mr. Jivaraj Maluckchand, Secretary.

3. *Representatives of Bankers and Money-lenders.*

Joint Stock Banks.

1. Bank of India, Bombay—
Mr. A. G. Gray, Manager.
2. Imperial Bank of India, Bombay—
Mr. J. G. Ridland, Secretary and Treasurer.

Other Bankers and Money-lenders.

1. Ankalgi, Mr. K. B., Dharwar.
2. Bharatia, Mr. Kalidas, Surat.
3. Bharatia, Mr. S. R., Dhulia.
4. Bombay Shroff Association, Bombay—
Seth Amthalal Jumakhram.
Seth Lakshmichand Doshi.
Seth Shivilal C. Shah.
5. Dalsingh, Mr. Gumansingh, Broach.
- *6. Darbar, Mr. T. N., Bijapur.
7. Dwarkadas, Seth, Sukkur.
8. Dayaram, Mukhi, Hyderabad.
9. Goverdhandas, Seth Prahladi, Poona.
10. Gujjar, Mr. Bhogilal B., Poona.
11. Gulabchand Hiralal, Rao Saheb, Dhulia.
12. Jadav, Rao Saheb V. C., Surat.
13. Kashinath Mulchand, Shet, Dhulia.
14. Kavthekar, Mr. G. P., Sholapur.
15. Khandwalla, Mr. M. S., B.A., Surat.
16. Kinkhabwala, Mr. I. N., Surat.
17. Kothary, Mr. C. M.
18. Madiwala, Mr. K. G., Poona.
- *19. Mansukhlal, Mr. Maganlal, Dohad.
20. Mehta, Mr. M. I., Broach.

21. Mudiraddi, Mr. T. T., Dharwar.
22. Narsidas, Mr. Motiram, Surat.
- *23. Phadke, Mr. A. S., Ratnagiri.
24. Podar, Mr. Ramedeo, Bombay.
25. Pophale, Rao Bahadur, L. V., Dhulia.
26. Pritamdas, Mukhi Govindram, Hyderabad.
27. Sahebram, Mr. Chhaganlal, Dhulia.
28. Shah, Rao Saheb G. K., Dhulia.
29. Shah, Mr. Maneckchand R., Sholapur.
30. Shikarpur Shroff Association—
 Mr. Hiranand Parsram Nechani, Pleader, Chairman.
 Seth Lunidasin Satramsing.
 Seth Hasasing Jesasing.
 Seth Tahalram Radhakishin.
 Seth Khubehad Fatechand.
 Seth Jethanand of the firm of Seth Naraindas Gangavishindas.
 Seth Chhasing Satramsing.
 Dr. Kishanchand M. Bulchandani, M.D.
 Dr. Bhagvandas J. Devidasani, M.B.B.S.
 Mr. Tarachand D. Gajra, M.A.
- *32. Shiralkar, Mr. P. A., Karad.
33. Sulakhe, Mr. B. P., Sholapur.
34. Tavery, Mr. Chanderbhan, Karachi.
35. Teekchand, Seth Lalchand, Shikarpur.
35. Virchand, Seth Dalichand, Surat.

4. Representatives of Co-operative Organisations.

1. Advani, Mr. Durgadas B., Managing Director, Mercantile Co-operative Bank, Karachi.
2. Ajwani, Mr. Bhojraj M., Managing Director, Sukkur Urban Co-operative Society, Sukkur.
3. Alavi, Mr. Hatin A., Director, Sind Central Co-operative Bank, Karachi.
4. Alavi, Mr. Tayabali A., Chairman, Mercantile Co-operative Bank, Karachi.
5. Allabbuksh Khan, Khan Saheb, M.L.C., Chairman, Shikarpur Zemindari Bank, Shikarpur.
6. Allahino, Mr. Waderao, District Honorary Organiser, Co-operative Societies, Karachi.
7. Ankleshwar Nagarie Sahakari Bank, Ltd., Broach—
 Nivantilal Tribhovandas, Managing Director.
8. Antarkar, Mr. S. B., Chairman, Jar Tar Weaving Industry Developing Co-operative Society, Ltd., Poona.
- *9. Athalye, Mr. V. V., District Honorary Organiser, Co-operative Societies, Ratnagiri.
10. Bakre, Mr. V. N., Honorary Organiser, Belgaum District Co-operative Institute, Belgaum.
11. Banatwala, Rao Saheb P. H., District Honorary Organiser, Co-operative Societies, Jambusar.
12. Basrur, Mr. M. M., Manager, Karnatak Co-operative Institute, Dharwar.
13. Bechar, Mr. N. A., M.L.C., Managing Director, Urban Co-operative Bank, Karachi.
14. Begraj, Mr. Virumal, Chairman, Co-operative Urban Bank, Sukkur.
15. Bhalerao, Mr. M^o G., District Honorary Organiser, and President, Supervising Union, Amalner.
16. Bldikar, Mr. P. M., Chairman, Pachora Taluka Land Mortgage Bank.

17. Bombay Pioneer Co-operative Thrift Society, Bombay—
Mr. M. V. Parekh, President.
Mr. J. K. Parulkar, *Vice-President*.
Mr. K. N. R. Ranina, Member.
18. Bombay Provincial Co-operative Bank, Bombay—
Dewan Bahadur A. U. Malji.
Mr. D. V. Gokhale.
19. Bombay Provincial Co-operative Bank, Ltd., Dhulia Branch—
Mr. D. R. Kale, Senior Inspector.
Mr. Thakore, Agent.
20. Bombay Provincial Co-operative Institute, Bombay—
Professor H. L. Kaji, *Vice-President*.
Rao Bahadur S. S. Talmaki, Honorary Secretary.
Mr. R. N. Mehta, Member, Executive Committee.
21. Bulchand, Mr. K., Chairman, Khudabadi Bhaibund Co-operative Credit Bank, Ltd., Hyderabad.
22. Chaugule, Mr. A. P., Chairman, District Central Co-operative Bank, Belgaum.
23. Chitale, Rao Bahadur G. K., Chairman, Ahmedabad Central Co-operative Bank, Ahmedabad.
24. Chaudhuri, Mr. S. L., Chairman, Bhatpura Co-operative Credit Society, Shirpur.
25. Chaudhari, Mr. S. N., Chairman, East Khandesh Central Co-operative Bank, Ltd., Jalgaon.
26. Gadag Sale Society, Dharwar—
Rao Saheb V. P. Chavdi, Chairman.
Mr. V. A. Shetti, Manager.
27. Gandhi, Mr. C. M., B.A., LL.B., Advocate, Chairman, Surat District Co-operative Bank, Ltd., Surat.
28. Garud, Mr. V. V., B.A., District Honorary Organiser, Co-operative Societies, Dhulia.
29. Gavane, Mr. M. M., District Honorary Organiser, Co-operative Societies, Sholapur.
30. Gunjkar, Mr. D. K., B.Com., Manager, Southern Mahratta Urban Co-operative Bank, Ltd., Dharwar.
31. Grain Sale Society, Shikarpur—
Aga Gul Hassan Khan, Managing Director.
Sheikh Ghulam Mahomed, Chairman.
32. Hajanshah, Syed, Chairman, Shikarpur Co-operative Credit Society, Shikarpur.
- *33. Halakatti, Rao Saheb P. G., Chairman, Cotton Sale Society, Bijapur.
34. Hyderabad District Central Co-operative Bank, Ltd.—
Rai Bahadur Pritamdas, Managing Director.
Mr. J. K. Thadani, Manager.
35. Jhamatlal Mr. Gopaldas, Chairman, Co-operative Institute, Hyderabad.
36. Joshi, Mr. M. Y., Manager, Nagar Urban Central Co-operative Bank, Ltd., Ahmednagar.
37. Kadir, Kazi Ghulam, District Honorary Organiser, Co-operative Societies, Sukkur.
38. Kazi, Professor H. L., M.A., B.Sc., I.E.S., Representative of Urban Co-operative Societies, Bombay.
39. Kale, Mr. M. R., Manager, West Khandesh District Purchase and Sale Union, Shirpur.
40. Karnatak Central Co-operative Bank, Dharwar—
Rao Bahadur Patil, Chairman.
Mr. H. H. Simur.
Mr. S. G. Godhi.
41. Kelkar, Mr. M. C., Chairman, West Khandesh District Co-operative Institute.
42. Kelkar, Mr. P. V., Inspector, Weavers' Co-operative Society, Poona.

43. Khudadadkhan, Khan Bahadur Abdul Hamidkhan, Chairman, Sukkur Co-operative Bank, Sukkur.
44. Kulkarni, Mr. M. S., District Honorary Organiser, Co-operative Societies, Gadag, Dharwar.
45. Lajmi, Mr. R. A., Representative of the Shamrao Vithal Urban Co-operative Bank, Bombay.
46. Mahomed, Seth Haji, District Honorary Organiser, Tando Allhayar, Hyderabad.
47. Malji, Diwan Bahadur A. U., Divisional Honorary Organiser, Co-operative Societies, Northern Division, Broach.
48. Malik, Mr. N. D., late Director of the Sind Central Co-operative Bank, Ltd., Karachi.
49. Noor Mahomed, Mr., Chairman, District Central Co-operative Bank, Hyderabad.
50. Pandharpur Urban Co-operative Bank, Ltd., Sholapur—
Mr. K. R. Nawale, Chairman.
Rao Saheb G. B. Paricharak, Director.
Mr. N. P. Surnis, Manager.
51. Pandya, Mr. C. A., District Honorary Organiser, Co-operative Societies, Borsad.
52. Parikh, Rao Saheb T. S., Managing Director, Kaira District Central Co-operative Bank, Nadiad.
- *53. Parulkar, Rao Bahadur L. V., President, Urban Co-operative Credit Society, Ratnagiri.
54. Patel, Mr. D. D., Chairman, Shirpur Taluka Co-operative Union, Shirpur.
- *55. Patel, Mr. Gaja, Chairman, Co-operative Society, Nardayada, Dohad.
56. Patel, Mr. P. I., District Honorary Organiser, Cotton Sale Society, Sonsek, Surat.
57. Patil, Mr. D. L., Chairman, Reddi Communal Co-operative Bank, Ltd., Dharwar.
58. Patil, Mr. Lahu Chimnaji, District Honorary Organiser, Co-operative Societies, Sholapur.
59. Patil, Rao Bahadur, M. L., District Honorary Organiser, Co-operative Society, Bail-Hongal, Belgaum.
- *60. Pitre, Mr. V. R., Chairman, Co-operative Credit Society, Rajapur, Ratnagiri.
61. Poona Central Co-operative Bank, Ltd.—
Mr. D. V. Gokhale, Vice-President.
Mr. M. R. Tarkunde, Director.
Mr. B. M. Gupte, Director.
Mr. S. L. Apte, Managing Director.
62. Pritamdas, Rai Bahadur, Honorary Secretary, Sind Divisional Co-operative Institute, Hyderabad.
63. Rane, Mr. G. M. S., Representative of the Port Trust Employees Co-operative Society, Bombay.
64. Rekhial Shah, Sayeed, District Honorary Organiser, Co-operative Societies, Hyderabad.
65. Sane, Mr. G. R., Chairman, Barsi Central Co-operative Bank, Ltd., Sholapur.
66. Shahani, Mr. Kewalram Dayaram, Director, Sind Central Co-operative Bank, Ltd., Hyderabad.
67. Shankerbhai, Rao Saheb Desaibhai, District Honorary Organiser, Co-operative Societies, Ahmedabad.
68. Shirhatti, Rao Saheb C. S., Managing Director, Hubli Cotton Sale Society, Dharwar.
69. Shroff, Mr. Bhagwandas B., District Honorary Organiser, Bulsar.
70. Sind Central Co-operative Bank, Ltd., Karachi—
Mr. B. S. Jagthani, Accountant.
Mr. C. K. Thadani, Inspector.

71. Surat Peoples' Co-operative Bank, Ltd., Surat—
Diwan Bahadur Thakoram Kapilram Mehta, C.I.E., LL.B., Chairman.
Rao Saheb V. C. Jadhav, B.A., Managing Director.
 - *72. Talikot, Mr. B. D., Chairman, District Central Co-operative Bank, Bijapur.
 73. Thanaki, Mr. H. R., B.A., LL.B., District Honorary Organiser, Co-operative Societies, Borsad.
 74. Walvekar, Rao Bahadur K. R., B.A., LL.B., Chairman, Hubli Urban Co-operative Bank, Ltd., Dharwar.
5. *Other Individuals.*
1. Abdulpurkar, Mr. N. A., Sholapur.
 - *2. Anrupsingh, Mr. B., Dohad.
 3. Bajaj, Mr. Shrinivas K., Bombay.
 4. Bavlawalla, Mr. Purshotam L., Bavla, Ahmedabad.
 - *5. Bhat, Mr. A. R., M.Com., Ratnagiri.
 6. Bhiladwalla, Khan Bahadur V. B., Surat.
 7. Bhosle, Mr. M. C., M.L.C., Dhulia.
 8. Bozder, Khan Sahib Sardar Kesar Khan, Special Magistrate, Sukkur.
 9. Chandiram, Mr. J. B., Rohri, Sukkur.
 10. Dabhai, Mr. Nagji, Jambusar, Broach.
 11. Damodardas, Rao Bahadur Lallubhai, Poona.
 12. Desai, Mr. D. N., M.A., LL.B., Pleader, Broach.
 13. Desai, Rao Saheb Dadubhai P., Nadiad.
 14. Desai, Rao Saheb J. V., Bar-at-Law, Ahmedabad.
 15. Deshmukh, Mr. Uttamrao B., Morana, Dhulia.
 - *16. Deshpande, Mr. L. M., M.L.C., Karad.
 17. Dhor, Mr. Mukunda Narayan, of Nerlee, Belgaum.
 18. Dixit, Mr. S. P., Pleader, Khed.
 19. Doddamani, Mr. N. S., Dharwar.
 20. Ekbote, Mr. T. M., Sholapur.
 - *21. Gandhi, Mr. Bhikhu N., Ratnagiri.
 22. Gandhi, Mr. Chotalal Cholabhai, Ankleshwar, Broach.
 23. Gulabchand, Mr. Lilachand, Shirpur.
 24. Gunjal, Mr. N. R., M.L.C., Poona.
 25. Hassanbhai, Mr. Moosabhai, Samni, Broach.
 26. Illava, Mr. Padamji K., Broach.
 27. Joshi, Mr. Y. R., B.Ag., of Sajod, Broach.
 28. Kadadi, Mr. N. B., Sholapur.
 29. Kamaluddin, Haji, Hyderabad (Sind).
 30. Kana, Mr. T. R., Sholapur.
 31. Kamil Shah, Syed Mahomed, M.L.C., Hyderabad (Sind).
 32. Karandikar, Mr. S. V., Baramati.
 - *33. Kembhavi, Mr. N. R., Bijapur.
 - *34. Kembhavi, Rai Bahadur R. K., President, District Local Board, Bijapur.
 35. Khan, Khan Saheb Amir Buksh, President, Taluka Local Board, Sukkur.
 - *36. Khanolikar, Mr. A. Y., Khanoli, Ratnagiri.
 37. Kissandas, Rao Bahadur Chamanlal, Poona.
 - *38. Koti Amba, Mr., Dohad.
 39. Kulkarni, Mr. S. B., Secretary, Currimbhoy Ebrahim Workmen's Institute, Bombay.
 40. Lalji Naranji, Mr., Bombay.

- *41. Lanjekar, Mr. G. P., Ratnagiri.
- 42. Laxmeshwar, Mr. Fakirappa L., Member, Divisional Board of Agriculture, Gadag, Dharwar.
- *43. Malushte, Mr. B. N., Ratnagiri.
- 44. Maskati, Mr. Tayabhai Mulla Mahomedalli, Surat.
- 45. Mehta, Mr. Chimanolal N., Nadiad.
- 46. Mehta, Sir Lallubhai Samaldas, Kt., C.I.E., Bombay.
- 47. Mehta, Mr. T. H., Ankleshwar, Broach.
- 48. Munshi, Mr. M. P., Ahmedabad.
- 49. Munshi, Mr. R. M., B.A., LL.B., Ahmedabad.
- 50. Naik, Rao Bahadur Bhimbhai R., M.L.C., Surat.
- *51. Naik, Mr. R. B., Bijapur.
- *52. Nanal, Mr. B. R., B.A., LL.B., M.L.C., Ratnagiri.
- 53. Navalrai, Mr. Lalchand, M.L.A., Larkhana.
- 54. Padvi, Meherban Virsing Bapuji, Dhulia.
- *55. Pandya, Mr. R. D., B.A., LL.B., Dohad.
- *56. Pannalal, Mr. Chunilal, Bijapur.
- *57. Patankar, Sardar B. N., Karad.
- *58. Patel, Babusaheb, Dohad.
- 59. Patel, Mr. Chotalal D., District Honorary Organizer, Kaira, Broach.
- 60. Patel, Rao Saheb E. P., District Honorary Organizer, Sholapur.
- 61. Patil, Mr. Kashinath Amrao, Sholapur.
- 62. Patil, Mr. A. B., Landlord, Sholapur.
- 63. Patil, Mr. M. S., Landlord, Sholapur.
- 64. Patil, Mr. N. J., Landlord, Sholapur.
- 65. Patil, Mr. S. S., Sankeshwar, Belgaum.
- 66. Patil, Mr. Vedu Ganpat, Hendrum, Dhulia.
- 67. Prayag, Mr. S. H., Dhulia.
- 68. Price, Mr. E. L., C.I.E., O.B.E., Karachi.
- *69. Rajwade, Mr. N. M., Retired Accountant, Ratnagiri.
- 70. Raisingji, Sirdar Bhasaheb, M.L.C., Thakor of Kerwada.
- 71. Ransing, Mr. B. R., B.A., LL.B., Dhulia.
- *72. Sakarlal, Mr., Dohad.
- 73. Sathe, Mr. G. D., President, Taluka Board, Madha, Sholapur.
- *74. Sathe, Mr. P. M., Ratnagiri.
- 75. Shirgaokar, Rao Saheb, Belgaum.
- *76. Shirolkar, Mr. B. S., Retired Deputy Collector, Bijapur.
- *77. Shrikant, Mr. L. M., Dohad.
- 78. Shroff, Mr. A. D., Bombay.
- 79. Sidhanti, Mr. N., Avarkod, Belgaum.
- *80. Surve, Mr. V. A., M.L.C., Ratnagiri.
- 81. Thadani, Mr. C. K., Bombay.
- 82. Tikekar, Mr. L. V., Sholapur.
- 83. Vakharia, Khan Bahadur P. R.
- *84. Valo, Mr., Dohad.
- 85. Varadabhai, Mr. Becharbhai, Nadiad.
- 86. Verhomal, Seth Chandaram, Chairman, Rohri Bench Magistrate Court, Rohri.
- 87. Wadekar, Mr. S. B., B.A., LL.B., Dhulia.
- 88. Webb, Sir Montague de P., C.I.E., C.B.E., Karachi.

APPENDIX III.

ITINERARY OF THE BOMBAY PROVINCIAL BANKING ENQUIRY COMMITTEE.

Bombay	..	..	..	September 23rd to 26th	1929.
Poona	..	..	..	28th to 5th October	..
Sholapur	..	..	..	October 7th to 11th	..
Bijapur *	..	..	..	14th to 15th	..
Karad †	..	..	..	26th to 28th	..
Dhulia ‡	..	..	..	November 11th to 15th	..
Nandurbar	..	..	..	16th	..
Surat	..	..	..	18th to 21st	..
Bronch	..	..	..	22nd to 28th	..
Ahmedabad	..	..	..	29th to 30th	..
Nadiad	..	..	..	December 1st	..
Dohad*	..	..	..	2nd	..
Ratnagiri*	..	..	..	11th to 14th	..
Bombay	..	..	..	16th to 23rd	..
Karachi	..	..	..	January 13th to 17th	1930.
Hyderabad	..	..	..	18th to 20th	..
Mirpurkhas	..	..	..	21st	..
Hyderabad	..	..	..	22nd	..
Tando Adam	..	..	..	23rd	..
Sukkur	..	..	..	24th to 25th	..
Shikarpur	..	..	..	27th to 28th	..
Larkana	..	..	..	29th	..
Bombay	..	..	..	February 3rd to 4th	..
Dharwar	..	..	..	10th to 17th	..
Belgaum	..	..	..	18th to 19th	..

* Visited by the Sub-Committee.

† Visited Islampur on 27th October 1929.

‡ Visited Shirpur on 13th November 1929.

APPENDIX IV.
Agricultural Holdings.

District	Small holders		Large holders		Percent- age of small to total holders	Percent- age of large to total holders
	No. of holders with holdings below 5 acres	Average holdings in acres	No. of persons holding over 100 acres	Average holdings in acres		
Ahmedabad	42,161	2·7	505	287·82	54·02	0·65
Kaira	125,149	1·9	268	299·4	76·5	0·1
Panch Mahals	19,340	2·0	106	219·9	49·3	0·2
Broach	24,636	2·4	513	264·2	50·5	1·05
Surat	64,055	2·05	425	172·06	68·21	0·6
Thana	59,659	1·8	1,231	291·9	70·7	1·4
Ahmednagar	43,483	2·9	2,332	157·4	28·2	1·4
East Khandesh	44,069	2·7	1,404	223·03	30·7	0·9
West Khandesh	8,502	2·8	1,408	206·02	12·8	2·2
Nasik	48,129	2·4	2,082	141·7	33·6	1·4
Poona	74,776	2·6	1,370	166·6	45·4	0·81
Satara	133,573	2·2	707	221·7	59·6	0·3
Sholapur	22,840	2·6	2,501	148·5	21·2	2·4
Belgaum	76,562	2·6	1,171	226·2	49·5	0·7
Bijapur	30,749	3·2	2,877	216·1	23·4	2·2
Dharwar	60,279	3·4	1,742	213·5	37·7	1·1
Kanara	29,286	1·4	363	216·5	67·7	0·8
Kolaba	46,550	1·5	494	253·5	75·3	0·7
Ratnagiri	56,193	1·3	333	189·3	76·52	0·45
Bombay Suburban District and Division.	3,465	1·2	..	..	37·01	..
Hyderabad	4,406	3·5	1,989	377·5	19·7	6·04
Karachi	4,017	3·4	1,222	366·2	24·7	7·5
Larkana	20,272	2·6	1,896	320·9	41·9	3·9
Nawabshah	5,606	2·7	2,235	376·4	22·2	8·8
Sukkur	26,624	3·9	900	326·3	53·0	1·7
Thar Parkar	6,864	3·7	4,130	309·1	13·9	8·3
Upper Sind Frontier	1,030	3·1	1,425	565·07	14·7	20·4

APPENDIX V.

Information obtained from recent settlement

District	Taluka, Mahal, or Petha	Class of land	Years to which figures relate	Area sold	Average assessment per acre
1	2	3	4	5	6
				A. a.	Rs. a. p.
Ahmedabad	Sanand Mahal	Dry crop	1916 to 1922	561 19	1 9 0
		Rice	Do.	111 13	4 4 11
		Mixed	Do.	42 1	2 0 5
	Prantij	Dry crop	1916-17 1921-22.	1,835 31	1 8 6
	Modasa	Dry crop	1917-18 1921-22.	117 26	2 1 3
Panch Mahals	Halol	Dry crop	1919-23	384 10	1 1 7
		Rice	Do.	10 6	2 4 10
	Kalol	Dry crop	1919-23	277 26	1 10 1
		Rice	Do.	35 28	3 13 4
	Jhalod	Dry crop	1919-20 1923-24.	345 5	1 2 6
		Rice	Do.	7 35	1 8 0
	Dohad	Dry crop	Do.	636 15	1 3 4
		Rice	Do.	12 9	2 6 2
Thana	Bhiwandi	Kharif	1921-22 1923-23.	280 23	4 1 1
		Mixed	Do.	2,614 20	2 9 7
		Warkas	Do.	38 20	0 9 7
		Salt	Do.	77 21	2 5 7
	Kalyan	Kharif	Do.	53 14	3 13 1
		Mixed	Do.	1,950 30	2 5 9
		Warkas	Do.	19 13½	0 12 11
	Murtad	Kharif	Do.	21 0	2 12 2
		Mixed	Do.	1,464 0	1 5 5
		Warkas	Do.	32 0	0 4 8
Poona	Mulshi	Rice	1919-20 1924-25.	4 38½	2 14 8
		Dry crop	Do.	383 5½	0 3 2
East Khandesh	Chalisgaon	Dry crop	1914-24	17,676 13	0 15 1
		Garden Motas- thal.	Do.	121 38	1 9 5
		Irrigated by canal.	Do.	135 20	1 1 2

Years followed by query (?) are the years of the preparation of
 Figures marked with (*) refer to

V.
Values.

reports	Information obtained from previous settlement reports				
Average selling price per acre 7	Class of land 8	Years to which figures relate 9	Area sold 10	Average assessment per acre 11	Average selling price per acre 12
Rs. a. p.			A. g.	Rs. a. p.	Rs. a. p.
52 1 4	Not known	1884-88	531 21½	1 5 10	36 1 6
79 3 9					
42 6 1					
54 14 10	Not known	1886-90	444 38½	1 7 8	64 13 6
	Rice	1890	53 15	1 8 2	72 0 4
52 15 10	Not known	1886-88	2 39	5 13 9	252 15 0
75 3 7	Not known	1891-92 to 1895-96.	110 9	1 4 1	33 8 1
143 14 5					
144 11 9					
149 10 8	Not known	1905-06?	309 37	2 0 1	69 0 7
46 14 11	Not known	1901-02 to 1906-07.	164 10½	1 6 10	43 11 9
68 0 0					
40 12 5					
77 6 2	Not known	1902-03?	509 13	1 6 10	18 5 6
177 3 6	Rice	1894?	73 0	2 5 6	37 14 11
101 5 7	Rice and Warkas.	Do.	395 0	2 4 5	32 3 9
124 6 6	Warkas	Do.	8 0	0 4 0	1 14 0
122 10 4	Bagayat	Do.	3 0	1 0 0	33 0 0
210 6 8	Rice	1893?	5 0	3 0 0	77 12 10
118 0 0	Rice and Warkas.	Do.	423 0	1 14 4	27 8 0
83 11 10	Warkas	Do.	36 0	0 4 0	1 6 3
124 0 9	Not known	Do.	743 0	1 1 9	20 8 4
70 2 0					
31 3 6					
690 7 10*					
25 4 3*		Information not available.			
112 11 6					
264 12 1					
213 9 1	Not known	1895?	1,626 0	0 12 6	18 8 1

the settlement report from which the figures have been taken.
purchases made by the Tata Company.

Information obtained from recent settlement

District	Taluka, Mahal, or Petha	Class of land	Years to which figures relate	Area sold	Average assessment per acre
1	2	3	4	5	6
				A. g.	Rs. a. p.
West Khandesh ..	Sindhkhed ..	Dry crop ..	1919-21 ..	5,225 18	1 6 7
		Garden ..	Do. ..	211 30	1 10 0
Ratnagiri ..	Khed ..	Kharif ..	1915-25 ..	22 12	6 1 0
		Mixed ..	Do. ..	923 10	0 6 4
		Warkas ..	Do. ..	60 22	0 2 8
Satara ..	Satara ..	Dry crop ..	1917-22 ..	1,358 18½	1 6 0
		Garden Patas-thal. ..	Do. ..	36 16½	5 4 5
		Rice ..	Do. ..	8 5½	5 14 0
Khanapur ..	Dry crop ..	Dry crop ..	1913-23 ..	5,044 33	0 8 6
		Garden Patas-thal. ..	Do. ..	227 27	1 8 7
	Karad ..	Dry crop ..	1914-23 ..	7 24½	3 12 7
		Garden Patas-thal. ..	Do. ..	40 7½	5 1 7
		Rice ..	Do. ..	0 4	0 5 0
	Patan ..	Dry crop ..	Do. ..	1,420 37½	0 12 0
		Garden Motas-thal. ..	Do. ..	6 10	2 14 1
		Garden Patas-thal. ..	Do. ..	15 39	3 10 0
		Rice ..	Do. ..	84 39½	2 6 5
	Walwa including Shirola. ..	Dry crop ..	Do. ..	2,474 3½	2 5 11
		Garden Motas-thal. ..	Do. ..	143 9	2 12 4
		Garden Patas-thal. ..	Do. ..	40 36	4 2 4
		Rice ..	Do. ..	30 39½	2 9 10
Kolaba ..	Alibag ..	Sweet Kharif. ..	Do. ..	680 21½	6 7 11
		Do. and Warkas. ..	Do. ..	1,575 32½	2 10 0
		Warkas ..	Do. ..	288 4½	0 8 3
		Rabi ..	Do. ..	139 1½	1 15 2
		Garden ..	Do. ..	257 38½	9 4 9
		Salt kharif ..	Do. ..	866 6½	3 7 6
		Do. and sweet kharif. ..	Do. ..	9 19½	3 13 7
		Salt mixed ..	Do. ..	12 23½	2 7 3

Years followed by query (?) are the years of the preparation

V—contd.

reports	Information obtained from previous settlement reports				
Average selling price per acre	Class of land	Years to which figures relate	Area sold	Average assessment per acre	Average selling price per acre
7	8	9	10	11	12
Rs. a. p.			A. g.	Rs. a. p.	Rs. a. p.
138 5 9	Not known	1892?	1,209 0	1 6 2	23 5 7
271 8 6					
1,021 9 5					
66 15 11					
55 2 7	Not known	1894?	16,169 0	0 14 6	43 11 2
151 13 8	Not known	1892?	385 0	1 13 9	71 15 11
735 9 4					
420 10 0					
42 8 8	Not known	1890?	1,360 0	0 12 10	23 12 11
159 4 10					
928 15 8	Not known	1893?	333 0	2 3 7	118 5 7
964 13 7					
50 0 0					
122 13 1	Not known	1893?	325 0	1 14 1	67 9 4
371 3 2					
749 11 2					
188 12 10					
222 7 8	Not known	1894?	435 0	2 2 3	86 12 5
450 12 0					
817 12 10					
552 7 8					
531 2 4	Rice	1892?	60 0	4 8 0	178 9 7
203 4 0	Do. and Warkas	Do.	57 0	2 14 1	124 4 3
62 2 8	Warkas	Do.	50 0	0 8 11	37 12 6
198 5 3	Rabi	Do.	3 0	1 0 0	166 10 8
795 6 5	Garden	Do.	15 0	5 4 3	196 14 11
308 10 8	Do. and Warkas	Do.	3 0	9 1 8	666 10 8
273 7 2					
244 6 11					

of the settlement report from which the figures have been taken.

Information obtained from recent settlement

District	Taluka, Mahal, or Petha	Class of land	Years to which figures relate	Area sold	Average assessment per acre
1	2	3	4	5	6
Kolaba— <i>contd.</i>	Roha	Sweetkharif	1919-25	A. g.	Rs. a. p.
		Warkas	Do.	330 9½	5 15 2
		Kharif and dry crops	Do.	321 14½	0 3 11
		Salt kharif	Do.	1,244 17	2 10 1
		Rabi	Do.	27 20½	3 8 0
	Pen including Nagothua.	Kharif	1912-21	83 20½	1 10 5
		Kharif and Warkas.	Do.	1,083 2	4 0 7
		Warkas	Do.	1,351 3½	2 2 6
		Rabi	Do.	374 37½	0 10 7
		Salt and kharif	Do.	15 33½	1 15 2
				39 2	4 3 6

Years followed by query (?) are the years of the preparation

V—concl'd.

reports	Information obtained from previous settlement reports				
Average selling price per acre	Class of land	Years to which figures relate	Area sold	Average assessment per acre	Average selling price per acre
7	8	9	10	11	12
Rs. a. p.			A. g.	Rs. a. p.	Rs. a. p.
498 5 11	Rice ..	1896? ..	173 4	4 4 1	86 7 9
31 1 5	Warkas ..	Do. ..	17 10	0 4 0	4 14 10
197 1 3	Rice and Warkas.	Do. ..	264 2	2 15 7	43 7 11
451 1 3					
134 4 4					
329 4 0	Not known ..	1891 ..	257 0	2 7 0	90 13 2
112 5 0					
42 3 10					
121 4 2					
293 12 0					

of the settlement report from which the figures have been taken.

APPENDIX VI.

Joint Stock Banks Working in the Province.

Serial No.	Name of Bank	Offices in the Province	
		Number	Where situated
1	Ajodhia Bank*	1	Bombay.
2	Allahabad Bank*	1	Bombay.
3	Bagalkot Commercial Bank	1	Bagalkot.
4	Bank of Baroda*	3	Bombay, Ahmedabad and Surat.
5	Bank of Barsi	1	Barsi.
6	Banares Bank*	1	Bombay.
7	Central Bank of India	7	Bombay, Ahmedabad and Karachi.
8	Dharwar Bank	3	Dharwar, Gadag and Hubli.
9	Frontier Bank*	2	Bombay and Karachi.
10	Bank of India	5	Bombay, Ahmedabad, Poona and Bandra.
11	Industrial Bank of Western India	4	Bombay and Ahmedabad.
12	Industrial and Mortgage Loans, Ltd.	1	Sholapur.
13	Jain Bank	1	Ahmedabad.
14	Jaylakshmi Bank	1	Dharwar.
15	Karnatak Industrial Bank	1	Dharwar.
16	Lyalpur Bank*	2	Bombay and Karachi.
17	Madhwa Bank	1	Dharwar.
18	Bank of Morvi	1	Bombay.
19	Manekchowk Vyapar Uttejak Coy.	1	Ahmedabad.
20	Nannumal Naraindas & Co.	5	Bombay, Karachi, Hyderabad, Shikarpur and Sukkur.
21	People's Bank of Northern India*	3	Karachi, Shikarpur and Sukkur.
22	Punjab National Bank*	3	Bombay, Karachi and Hyderabad.
23	Union Bank of Bijapur and Sholapur	2	Bagalkot, Bijapur.
24	Union Bank of India	1	Bombay.
25	Vatandar Bank and Commercial Agency	1	Dharwar.

* Registered outside the Province of Bombay.

APPENDIX VII.

SPECIMEN FORMS OF HUNDIS, PROMISSORY NOTES AND DEPOSIT RECEIPTS
COMMONLY USED IN THE PROVINCE.

No. 1.

Darshani Hundi.

At Bombay Sheth _____ please accept salutations of the writer Sheth
_____ from _____. We have received here Rs. (1,000) one
thousand only from Sheth _____. Please pay to the presenter at sight
and debit the same to our account. Please pay the double of five hundred, viz., one
thousand only, per rules of the Bombay Shroff Mahajan.

Dated the 12th darkday of Bhadrapad Samvat year 1985.

Rs. 1,000

(Signed)

No. 2.

Shahjog Hundi.

At Bombay Sheth _____ please accept salutations of the writer Sheth
_____ from _____. We have received here Rs. 1,000
from Sheth _____. Please pay the presenter on demand as per rules
of the Bombay Shroff Mahajan after assuring yourself that the presenter is a Shah.

Dated the 12th darkday of Bhadrapad Samvat year 1985.

Rs. 1,000.

(Signed)

No. 2A.

Shahjog Hundi.

P. H. S., DHOLKA.

BOW TO SHRI GANESH.

To _____ worshipped and worthy of all eulogy,
at _____ blessed by the goddess of wealth, the great and auspicious place,
address _____ Written from Dholka by P. H. S. from whom please
accept salutations. To wit. Pay at once on receipt of this *hundi* to its holder
according to custom of *hundis* after ascertaining his residence with full address
Rs. _____ in words rupees _____ double of half the
sum _____ on behalf of _____ of this place for value
received. The proof for this *hundi* is that we shall write to you about it in a letter.

The _____ of Samvat 198 corresponding to

the _____ 19 . Written by _____

No. 3.

Mudati Hundi.

SHRI SATNAM.

HUNDI

Rs. 600.

DUE _____

BOMBAY, _____ 19

() _____ days after date _____

pay to _____
 or order the sum of Rupees (600) Six Hundred only for value
 received in cash this day.

NINE ANNAS

Brokers N. & Co.

No. 4.

Deposit Receipt.

To _____

From _____

The writer of this receipt has to-day received from you the sum of Rs. _____ in
 cash, the rate of interest being _____ per cent. per annum, the same being
 fixed through the broker _____. The said amount has been
 received by a cheque or in cash from _____ and credited to your account.

Dated the 12th darkday of Bhadrapad Samvat year 1985.

Rs. _____

(Signed)

No. 5.

Promissory Note.

I promise to pay Sheth _____ or order the sum of Rs. _____
 with interest at _____ per cent. per annum for value received in cash.

Dated the 12th darkday of Bhadrapad Samvat year 1985.

Rs. _____

(Signed)

No. 6.

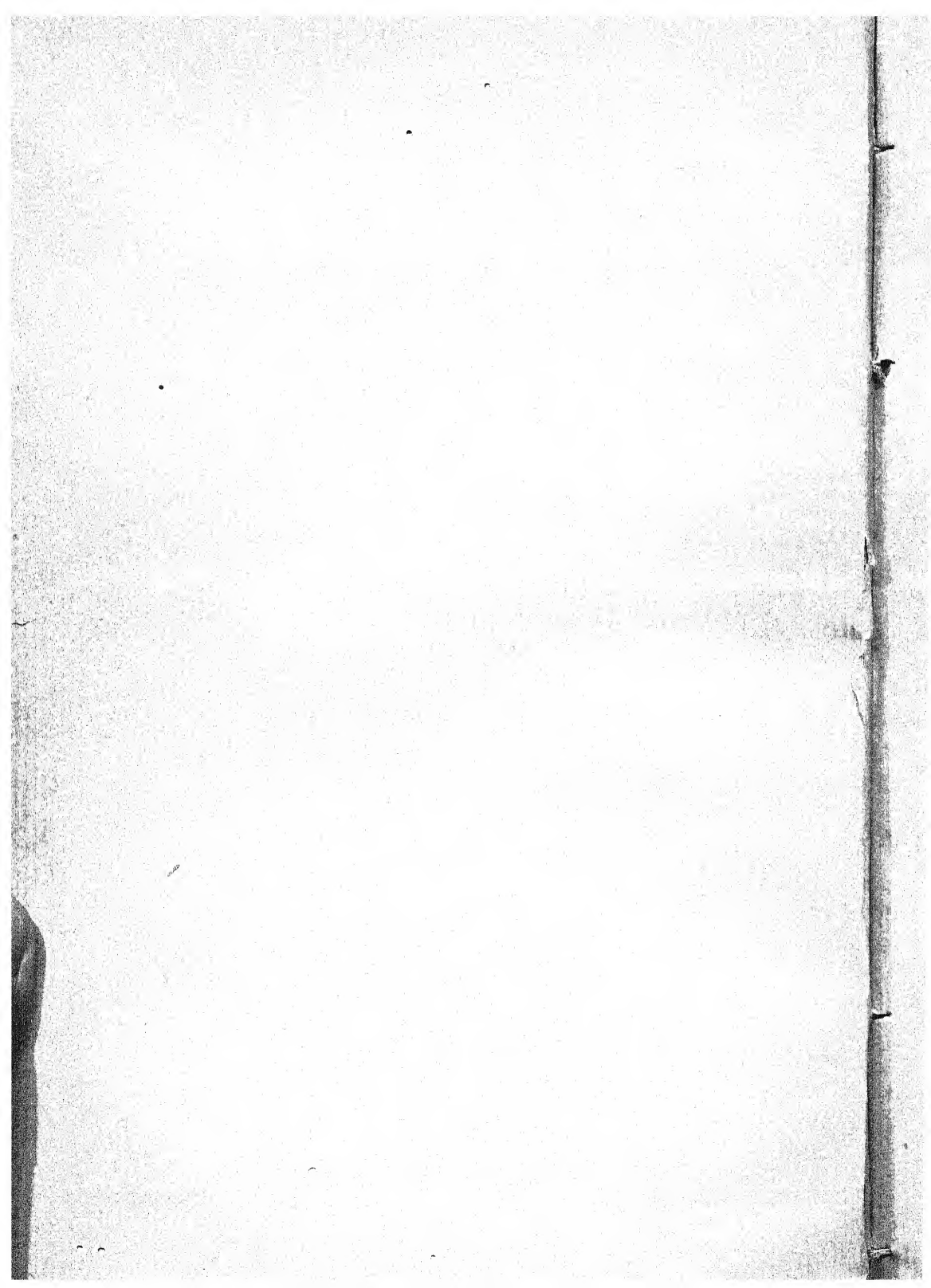
Khata.

Cr. _____ Dr. _____

200 0 0 Monday the 3rd of Kartak Sud
(corresponding to 4-11-29)
200-0-0 in words two hundred
cash of British currency have
been borrowed. In lieu thereof
this *Khata* is passed with
interest at the rate of one
rupee with stamp affixed. It
is correct. The amount will
be paid whenever you
Sheth _____
demand it. The interest on
it is at Re. 1 per cent., per
month. Written by N. S. L.

Stamp.

Signature.



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GLOSSARY OF INDIAN TERMS

Adatya	A commission agent or broker.
Atki	A measure of weight of 200 lbs.
Bania	...	..	A trader.
Bazar	..	..	A market.
Bhagdar	..	..	A holder of land under a certain tenure prevalent in the districts of Kaira and Broach.
Bhil	..	..	An aboriginal tribe.
Bund	..	..	A dam.
Dalal	..	..	A broker.
Dam dupat	..	..	Ancient rule by which interest could in no case exceed the principal.
Darshani	..	..	Payable on demand.
Deshi	..	..	Pertaining to the country; Indian.
Dekhadnarjog	..	..	Payable to bearer.
Devasthan	..	..	Pertaining to a temple.
Dharekar	..	..	A permanent tenant in a <i>khoti</i> village rent payable by whom is limited to the survey assessment.
Goni	..	..	A measure of weight of 290 lbs.
Gur	..	..	Jaggery; unrefined Indian sugar.
Hari	..	..	A tenant-at-will of a <i>zemindar</i> in Sind.
Hundi	..	..	A written order made by one person on another for payment on demand or after a specified time of a specified sum of money to a person named therein.
Inam	..	..	A gift or grant; land held free of or at reduced assessment.
Jat inam	..	..	Personal <i>inam</i> land.
Jahagirs	..	..	Grant of land from Government.
Jarda	..	..	Tobacco leaf dried and powdered.
Jowar	..	..	A millet (<i>Andropogon Sorghum</i>).
Jokhami hundi	..	..	<i>Hundi</i> with insurance policy combined.
Kallas	..	..	Cotton bolls.
Kapas	..	..	Seed cotton.
Karkhandar	..	..	Owner of a <i>Karkhana</i> or factory; entrepreneur.
Khata	..	..	An account.
Khatedar	..	..	Occupant.
Khot	..	..	A holder of land or village in the Konkan under a special tenure.
Mallad	..	..	The hilly tract in the Karnatak.
Marwari	..	..	A person from Marwar; a money-lender.
Mavchi	..	..	A member of an aboriginal tribe from Khandesh.
Mirasdar	..	..	A privileged landlord.
Mohag	..	..	Land frontage: land on the outskirts of a <i>zemindar's</i> belonging in Sind.
Mofussil	..	..	Upcountry.
Munsiff	..	..	A sub-judge.
Mudati	..	..	Payable after a certain time.
Narvadari	..	..	A land tenure found in Kaira and Broach.

Palla	..	.. A measure of weight of 240 lbs.
Panchayat	..	.. A committee consisting usually of five persons.
Ryot	..	.. A cultivator.
Ryotwari	..	.. A land tenure in which land is held permanently by the holder from Government on condition of payment of land assessment as fixed by Government.
Saranjam	..	.. A kind of <i>inam</i> .
Saldars	..	.. An agricultural labourer engaged for the year.
Shahjog	..	.. Payable to a <i>Shah</i> , a respectable person.
Shah	..	.. A respectable person.
Sheth	..	.. A great banker or merchant.
Shroff	..	.. An indigenous banker.
Sowcar	..	.. A money-lender.
Tal	..	.. A field.
Tagavi	..	.. An advance made by Government to cultivators for agricultural purposes.
Taluka	..	.. A local revenue division of a district.
Talukdar	..	.. Holder of land on the <i>talukdari</i> tenure.
Vandha	..	.. A dispute.
Wad	..	.. A field embankment.
Warkas	..	.. Hilly or stony.
Watan	..	.. A service <i>inam</i> .
Wstandar	..	.. A holder of <i>watan</i> land.
Zemindar	..	.. A landholder ; in Sind a big landholder.